

CHAPTER II
FINANCES OF THE STATE

Chapter II: Finances of the State

2.1 Introduction

This Chapter provides a broad overview of the finances of the State of Arunachal Pradesh and analyses critical changes in the major fiscal aggregates relative to the preceding years, overall trends during the last five years 2019-20 to 2023-24 and Debt Sustainability of the State in addition to the key Public Account transactions. The analysis has been made based on the State Finance Accounts and information obtained from the State Government.

2.2 Major changes in key fiscal aggregates *vis-à-vis* 2023-24

A bird's eye view of the major changes in key fiscal aggregates of the State during 2023-24, compared to the previous year is given in **Table 2.1**.

Table 2.1: Changes in key fiscal aggregates in 2023-24 compared to 2022-23

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue Receipts of the State increased by 15.36 <i>per cent</i> ✓ Own Tax Revenue of the State increased by 25.04 <i>per cent</i> ✓ Own Non-Tax Revenue decreased by 11.50 <i>per cent</i> ✓ State's Share of Union Taxes/ Duties increased by 18.91 <i>per cent</i> ✓ Grants-in-Aid (GIA) from Government of India increased by 1.39 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue Expenditure increased by 18.07 <i>per cent</i> ✓ Revenue Expenditure on General Services increased by 11.22 <i>per cent</i> ✓ Revenue Expenditure on Social Services increased by 12.98 <i>per cent</i> ✓ Revenue Expenditure on Economic Services increased by 28.33 <i>per cent</i> ✓ Expenditure on GIA increased by 3.37 <i>per cent</i>
Capital Receipts	<ul style="list-style-type: none"> ✓ Debt Capital Receipts increased by 52.24 <i>per cent</i> ✓ Non-debt Capital Receipts decreased by 22.63 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital Expenditure increased by 4.40 <i>per cent</i> ✓ Capital Expenditure on General Services increased by 8.51 <i>per cent</i> ✓ Capital Expenditure on Social Services increased by 39.11 <i>per cent</i> ✓ Capital Expenditure on Economic Services decreased by 6.71 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances decreased by 20.77 <i>per cent</i> ✓ Recoveries of Loans and Advances increased by 22.63 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 52.24 <i>per cent</i> ✓ Repayment of Public Debt increased by 2.59 <i>per cent</i>
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 42.33 <i>per cent</i> ✓ Disbursement of Public Account increased by 28.70 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none"> ✓ Overall Cash balance of the State increased by ₹2,562.68 crore (58.96 <i>per cent</i>)

Source: Finance Accounts of 2022-23 and 2023-24

Each of the above indicators are analysed in the succeeding paragraphs.

2.3 Sources and Application of Funds

A comparison of components of the sources and application of funds of the State during the current year with those of the previous year is given in **Table 2.2**.

Table 2.2: Details of Sources and Application of funds during 2023-24 and 2022-23

(₹ in crore)

Particulars		2022-23	2023-24	Increase (+)/ Decrease (-)	Increase (+)/ Decrease (-) (in per cent)
Sources	Opening Cash Balance with RBI	4,356.35	4,346.15	(-) 10.20	(-) 0.23
	Revenue Receipts	23,788.14	27,441.00	(+) 3,652.86	(+) 15.36
	Recoveries of Loans and Advances	4.86	5.96	(+)1.10	(+) 22.63
	Public Debt Receipts (Net)	1,928.45	3,209.61	(+)1,281.16	(+) 66.43
	Public Account Receipts (Net)	(-) 203.25	936.96	(+) 1,140.21	(+) 560.99
	Total	29,874.55	35,939.68	(+) 6,065.13	(+) 20.30
Application	Revenue Expenditure	17,417.67	20,564.35	(+) 3,146.68	(+) 18.07
	Capital Expenditure	8,107.36	8,463.83	(+) 356.47	(+) 4.40
	Disbursement of Loans and Advances	3.37	2.67	(-) 0.70	(-) 20.77
	Closing Cash Balance with RBI	4,346.15	6,908.83	(+) 2,562.68	(+) 58.96
	Total	29,874.55	35,939.68	(+) 6,065.13	(+) 20.30

Source: Finance Accounts of the respective year

Appendix 2.1 provides details of receipts and disbursements and the overall fiscal position of the State during the current year as well as the previous year. The composition and application of resources in the Consolidated Fund of the State during 2023-24 are given in **Chart 2.1 and 2.2**.

Chart 2.1: Composition of Resources

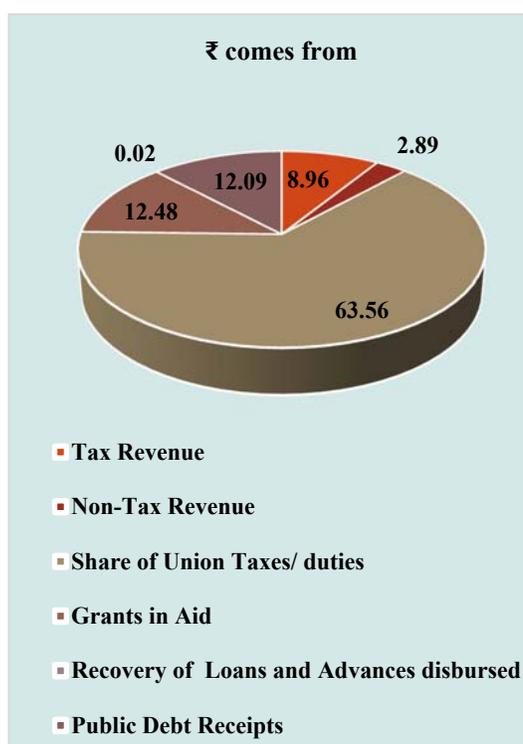
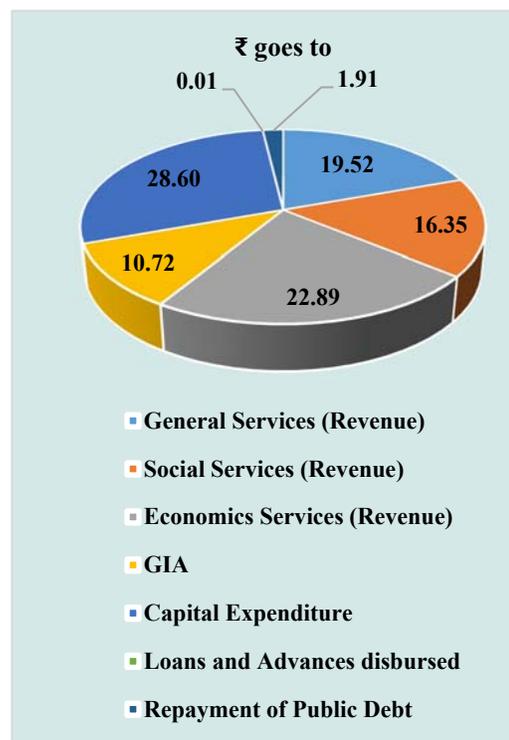


Chart 2.2: Application of Resources



Source: Finance Accounts, 2023-24

In both composition and application of resources, the share of receipt and disbursement of loans and advances were less than one per cent.

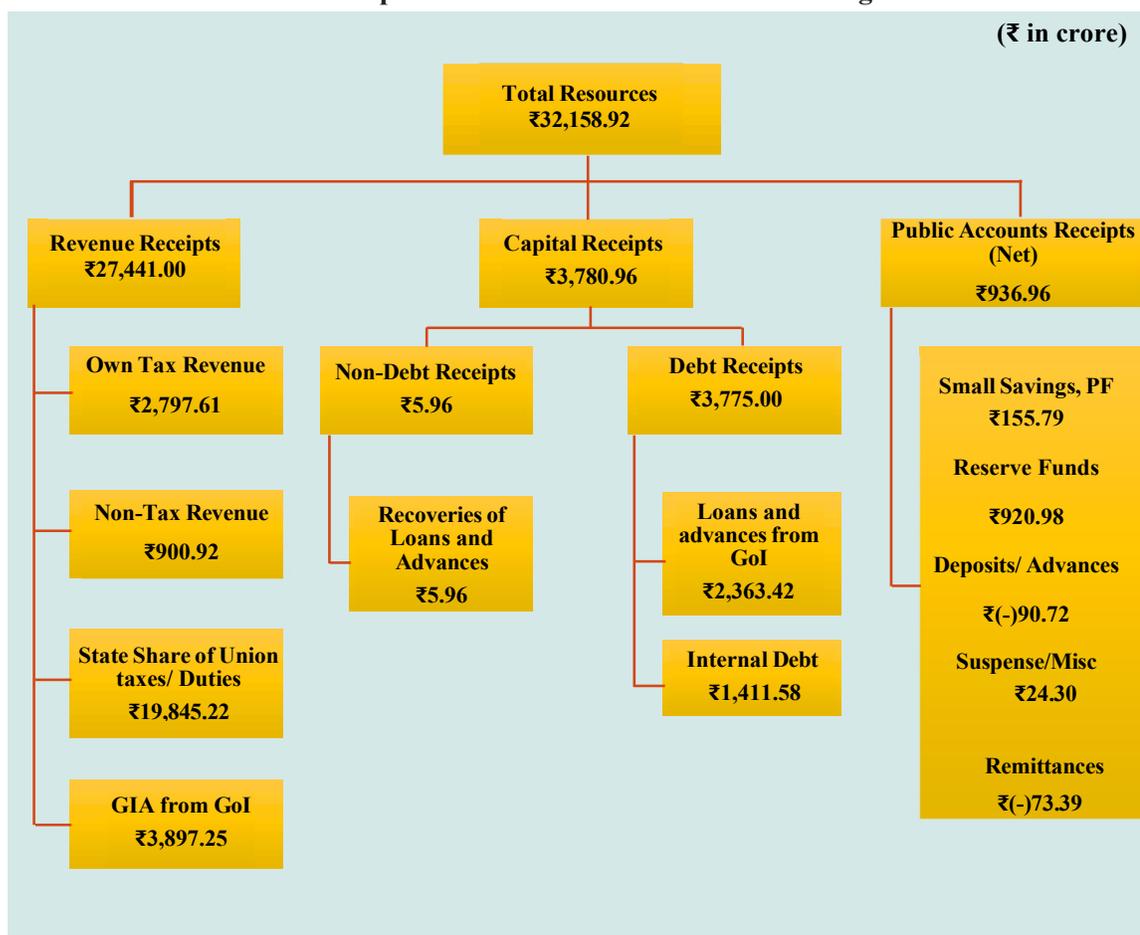
2.4 Resources of the State

The resources of the State are described below:

- 1. Revenue Receipts** consists of Tax Revenue (Own tax revenue *plus* Share of Union Taxes/ duties), non-Tax Revenue and Grants from the Government of India (GoI).
- 2. Capital Receipts** (debt and non-debt capital receipts) comprise debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks), Loans and Advances from GoI and miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of Loans and Advances. Both Revenue and Capital Receipts form part of the Consolidated Fund of State.
- 3. Net Public Accounts Receipts:** These are receipts and disbursements in respect of certain transactions such as Small Savings, Provident Fund, Reserve Funds, Deposits, Suspense, Remittances, *etc.* which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

Chart 2.3: Composition of resources of the State during 2023-24



Source: Finance Accounts, 2023-24

2.4.1 State's Revenue Receipts

Statement-14 of the Finance Accounts depicts the Revenue Receipts of the Government. Revenue Receipts comprised of (i) Own Tax Revenue (ii) Own non-tax Revenue (iii) Share of Union taxes/duties and (iv) Grants-in-Aid (GIA).

The State share in Central taxes is determined on the basis of recommendations of Finance Commission (FC). GIA from the Central Government is determined by the quantum of collection of Central Tax receipts and anticipated Central Assistance for Schemes.

2.4.1.1 Trends and growth of Revenue Receipts

Trends and composition of Revenue Receipts over the period 2019-20 to 2023-24 are presented in **Appendix 2.2** and depicted in **Table 2.3** and **Chart 2.4** respectively.

Table 2.3: Trends in Revenue Receipts

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Receipts (RR) (₹ in crore)	14,888.55	17,123.51	21,231.64	23,788.14	27,441.00
Rate of growth of RR (<i>per cent</i>)	(-) 8.07	15.01	23.99	12.04	15.36
Tax Revenue (i+ii)	10,216.30	11,903.68	16,283.69	18,926.52	22,642.83
(i) <i>Own Tax Revenue</i>	1,228.73	1,431.10	1,639.79	2,237.35	2,797.61
(ii) <i>State Share in Union taxes/ duties</i>	8,987.57	10,472.58	14,643.90	16,689.17	19,845.22
Non-Tax Revenue	651.38	836.53	774.67	1,017.87	900.92
Grants-in-Aid from GoI (GIA)	4,020.87	4,383.30	4,173.28	3,843.75	3,897.25
Rate of Growth of GIA from GoI	(-) 1.52	9.01	(-) 4.79	(-) 7.90	1.39
Own Revenue (Tax and Non-tax)	1,880.11	2,267.63	2,414.46	3,255.22	3,698.53
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	12.12	20.61	6.48	34.82	13.62
GSDP (₹ in crore) (2011-12 Series)	30,023.65	30,525.36	34,774.78	39,629.95	43,991.61
Rate of growth of GSDP (<i>per cent</i>)	18.51	1.67	13.92	13.96	11.01

Source: Finance Accounts of respective years

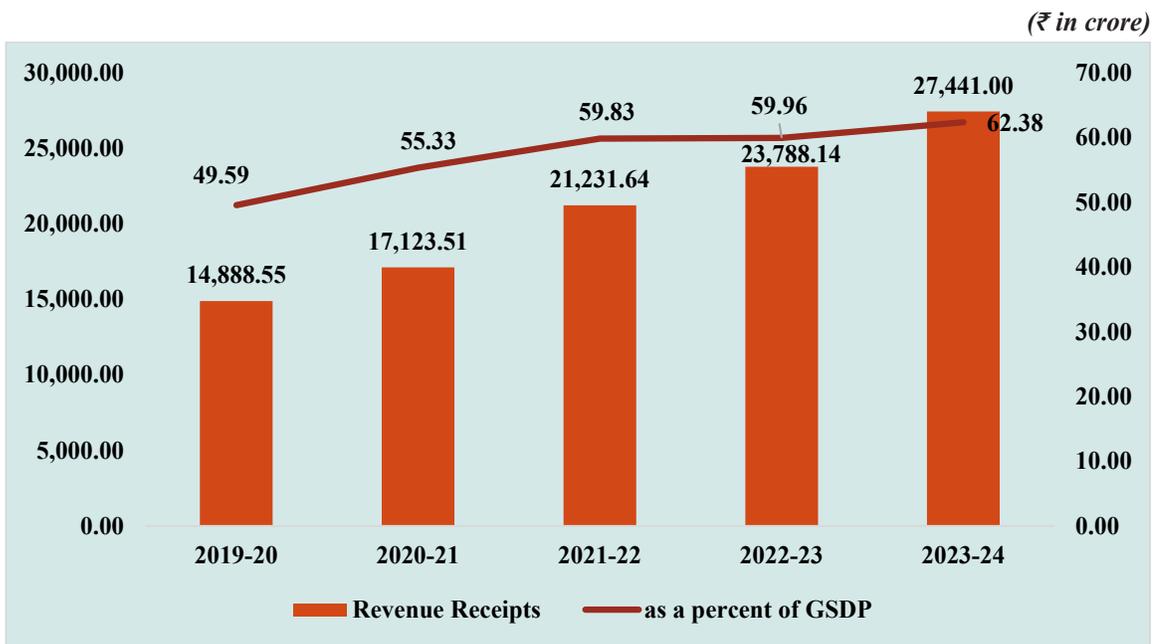
It can be seen from the **Table** above that the Revenue Receipts of the State increased by ₹12,552.45 crore (84.31 *per cent*) from ₹14,888.55 crore in 2019-20 to ₹27,441.00 crore in 2023-24 at an average growth rate of 11.66 *per cent*.

During 2023-24, the Revenue Receipts increased by ₹3,652.86 crore (15.36 *per cent*) over the previous year (₹23,788.14 crore). This was due to an increase in the Own Tax Revenue by ₹560.26 crore (25.04 *per cent*), Share of the Union taxes/ duties by ₹3,156.05 crore (18.91 *per cent*) and GIA by ₹53.50 crore (1.39 *per cent*) which was partially offset by decrease in Non-Tax Revenue by ₹116.95 crore (11.49 *per cent*). The growth rate of RR (15.36 *per cent*) was higher than that of growth of GSDP (11.01 *per cent*) during the current year. A higher growth rate in Revenue Receipts enables a State to spend more on improving the priority areas like infrastructure, Health, Education, *etc.*

During 2023-24, State's Own Revenue (Own Tax Revenue *plus* Non-Tax Revenue) increased by ₹443.31 crore (13.62 *per cent*) over the previous year. This was due to an increase in Own Tax Revenue. During 2023-24, the growth rate of GSDP (11.01 *per cent*) was less than that of State's Own Revenue (13.62 *per cent*).

The growth rate of the GIA from GoI was inconsistent over the last five-years' period (2019-20 to 2023-24). The GIA decreased by ₹123.62 crore (3.07 *per cent*) in last five years' period during 2023-24 to 2019-20. During 2023-24, GIA increased by ₹53.50 crore (1.39 *per cent*) in comparison to previous year. The share of GIA in Revenue receipts was decreased from 27.01 *per cent* in 2019-20 to 14.20 *per cent* in 2023-24.

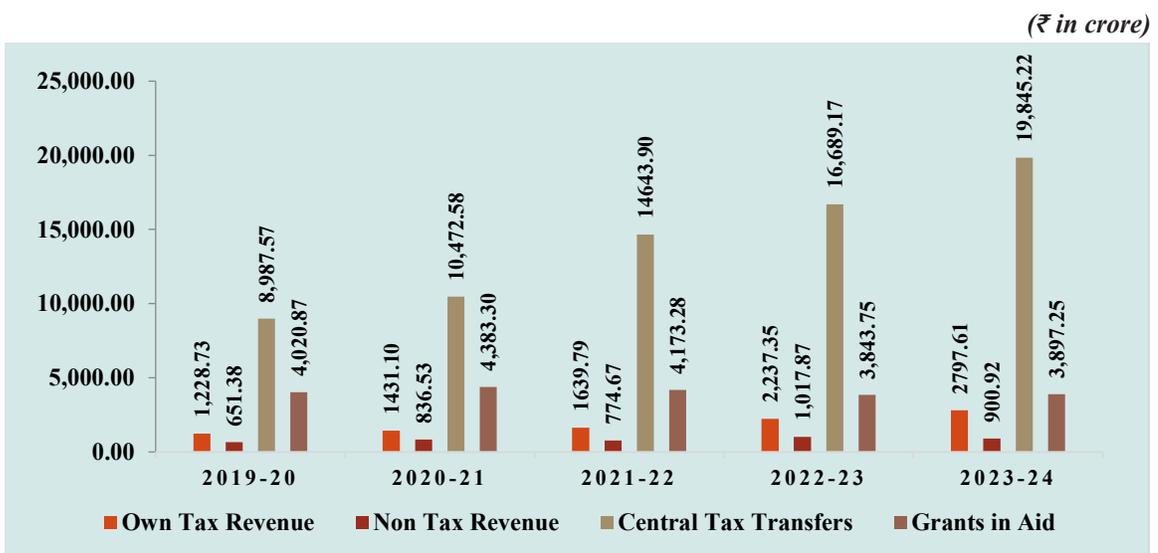
Chart. 2.4 Trends of Revenue Receipts relative to percentage of Revenue Receipts to GSDP



Source: Finance Accounts of the respective year

As evident from the **Chart 2.4**, the Revenue Receipts as a *percentage* of GSDP were inconsistent and hovering around 49.59 and 62.38 *per cent* during the five-year period (2019-20 to 2023-24). The trend of the composition of Revenue Receipts for the period from 2019-20 to 2023-24 are given in **Chart 2.5**.

Chart 2.5: Composition of Revenue Receipts



Source: Finance Accounts of the respective year

As can be seen from **Chart 2.5** above that the Central Tax Transfers (Share of Union taxes/ duties) were the major contributor of the Revenue Receipts during the last five-years' period from 2019-20 to 2023-24.

2.4.2 State's Own Resources

State's performance in mobilisation of additional resources was assessed in terms of its own resources comprising revenue from Own Tax and Own Non-Tax.

The State's Tax and Non-Tax Revenue for 2023-24 *vis-à-vis* assessment made by XV FC and BEs are given in **Table 2.4**.

Table 2.4: Tax and Non-Tax Receipts

(₹ in crore)

Particulars	XV FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget estimates	XV FC projections
Own Tax revenue	1,794.00	1,128.62	2,797.61	147.88	55.94
Non-Tax revenue	525.00	847.77	900.92	6.27a	71.60
Total	2,319.00	1,976.39	3,698.53	87.14	59.49

Source: Recommendations of XV FC Report, Annual Financial Statement, 2023-24 and Finance Accounts, 2023-24

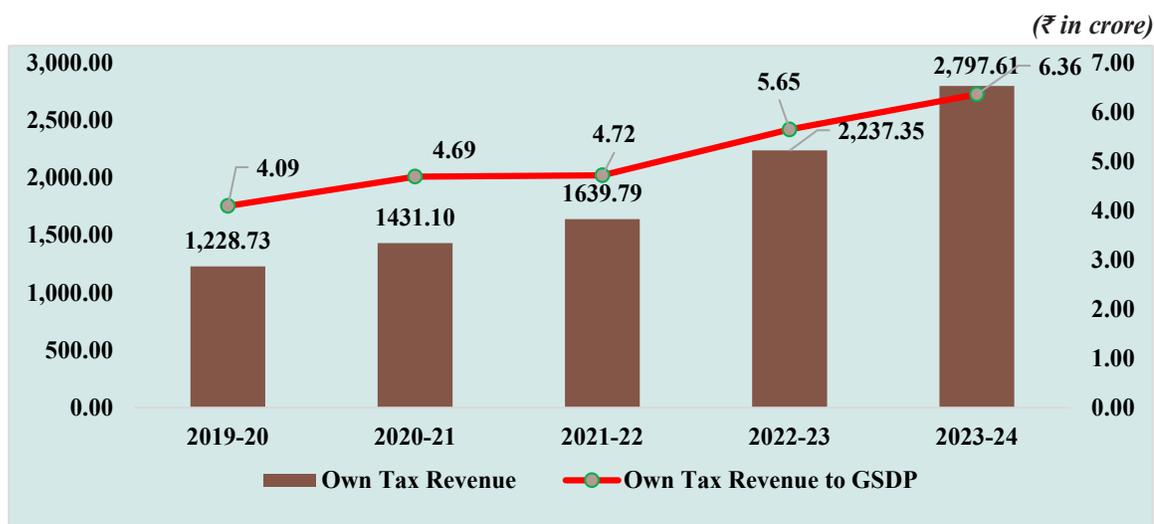
XV FC projected the State's own revenue resources during 2023-24 as ₹2,319.00 crore. However, the actual collections during 2023-24 were ₹3,698.53 crore which was 59.49 *per cent* higher than the projections made by XV FC. Similarly, Actual collections from the State's Own Revenue during the current year was 87.14 *per cent* higher than the assessment made in BE. The State collected higher Own Tax Revenue compared to the budgeted amount, with a broad-based increase in all tax components except in the component of State Excise, as shown in **Table 2.5**. Non-Tax Revenue during 2023-24 was higher than the assessments made in BE as well as projections made by XV FC.

2.4.2.1 Own Tax Revenue

Own Tax Revenue of the State consist of State Goods and Services Tax (GST), State Excise, Taxes on Vehicles, Stamp Duty and Registration Fees, Land Revenue and Taxes on Goods and Passengers, *etc.*

Trends of State's Own Tax Revenue and ratio of Own Tax Revenue to GSDP over the period 2019-24 are presented in **Chart 2.6**.

Chart 2.6: Trend of Own Tax Revenue during 2019-24



Source: Finance Accounts of the respective year

The Own Tax Revenue increased by ₹1,568.88 crore (127.68 per cent) i.e., from ₹1,228.73 crore in 2019-20 to ₹2,797.61 crore in 2023-24, during the five-years' period. During the current year, it increased by 25.04 per cent (₹560.26 crore) in comparison to the previous year. Thus, the State had managed to maintain Own tax revenue in the band of 25 per cent and above during 2023-24 amongst the all- India States. The increase over the previous year was due to a significant increase by ₹316.34 crore (19.68 per cent) under State GST, by ₹294.02 crore (132.55 per cent) under Taxes on Sales, Trade, etc. which was offset by decrease of ₹69.56 crore (24.77 per cent) under State Excise. During 2023-24, State GST alone contributed around 68.75 per cent of Own Tax Revenue.

During 2023-24, as percentage of GSDP, State's Own tax increased to 6.36 per cent in 2023-24 from the previous year figure of 5.65 per cent. During 2023-24, XV FC projected the ratio of Own tax to GSDP as 4.70 per cent while the actual was 6.36 per cent. During the current year, the State did not achieve its own target of 6.77 per cent for Own Tax to GSDP ratio projected in Fiscal indicators-rolling targets in Medium Term Fiscal Plan (MTFP).

The CAGR of the Own Tax Revenue of the State for the period from 2019-20 to 2023-24 stood at 22.84 per cent. CAGR of Own Tax Revenue of the State with respect to the previous year was 25.04 per cent.

Component-wise details of State's Own Tax Revenue collected during 2019-20 to 2023-24 are given in **Table 2.5**.

Table 2.5: Components of State's Own Tax Revenue

(*₹ in crore*)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24	B. E for 2023-24
Goods and Service Tax	801.55	859.29	1,131.00	1,607.05	1,923.39	522.73
Taxes on Sales, Trade, etc.	219.82	283.09	324.61	221.82	515.84	287.52
State Excise	144.97	238.02	115.92	280.87	211.31	242.17
Taxes on vehicles	38.12	32.71	48.94	62.11	77.35	40.00
Stamps and Registration Fees	8.14	10.47	12.48	17.82	23.46	14.00
Land Revenue	15.97	7.52	6.83	47.67	46.26	22.20
Taxes on Goods and Passengers	0.16	0.00	0.01	0.01	0.00	0.00
Total	1,228.73	1,431.10	1,639.79	2,237.35	2,797.61	1,128.62

Source: Finance Accounts of the respective year

- During 2023-24, the actual collection of State GST was ₹1,923.39 crore against the Budget estimate of ₹522.73 crore. State GST increased by ₹316.34 crore (19.68 per cent) over the previous year which was mainly due to an increase in Tax by ₹131.71 crore (27.07 per cent), Apportionment of IGST-transfer-in of tax component to State GST by ₹58.09 crore (17.53 per cent) and Input Tax credit cross utilisation of State GST and IGST by ₹135.14 crore (17.53 per cent).
- During 2023-24, the collections from Sales, Trades, etc. increased by ₹294.02 crore (132.55 per cent) over the previous year which was due to higher collections against Value Added Tax (VAT). The collection from Sales, Trades, etc. was ₹515.84 crore against the Budget Estimate of ₹287.52 crore.
- During the current year, collection from Taxes on Vehicles increased by ₹15.24 crore (24.54 per cent) over the previous year which was due to increase in Receipts under the State Motor Vehicles Taxation Acts by ₹20.95 crore (37.15 per cent). The actual collection from the Taxes on Vehicles during the current year was ₹77.35 crore while the Budget Estimate was ₹40.00 crore.
- The collections from Taxes on Goods and Passengers was Nil during 2023-24 as it got subsumed in GST from July 2017.
- During 2023-24, the collections under Stamps and Registration increased by ₹5.64 crore (31.65 per cent) over the previous year. This was due to more collections under Judicial and Non-Judicial Stamps. The Actual collection from Stamps and Registration during 2023-24 was ₹23.46 crore against the Budget Estimate of ₹14.00 crore.

- The collections from State Excise decreased by ₹69.56 crore (24.77 per cent) over the previous year which was due to significant decrease in collection from minor head Liquor by ₹69.49 crore (24.75 per cent). The actual collection from the State excise during the current year was ₹211.31 crore while the Budget Estimate was ₹242.17 crore.

State Goods and Services Tax

During 2023-24, no difference was noticed in amount of State GST between the books of RBI and Finance Accounts. During the current year, the State did not receive back-to-back loans in lieu of State GST compensation shortfall as the collection under State GST was higher than the projected SGST.

2.4.2.2 Non-Tax Revenue

Non-Tax Revenue refers to income of the State Government generated from sources other than Taxation, such as receipts from medical, police, interest receipts, dividends and profits, mining receipts and departmental receipts, etc. **Table 2.6** shows the trends and composition of Non-Tax Revenue during the period 2019-20 to 2023-24.

Table 2.6: Components of State's own Non-Tax Revenue

Particulars	₹ in crore				
	2019-20	2020-21	2021-22	2022-23	2023-24
Interest Receipts	62.49	34.12	47.21	93.13	172.98
Dividends and Profits	0.00	0.00	0.00	0.00	0.00
Other Non-tax receipts (a to f)	588.88	802.41	727.46	924.74	727.94
(a) Education, Sports, Art and Culture	6.48	6.55	6.49	14.26	15.89
(b) Urban Development	3.96	4.24	6.73	10.66	7.09
(c) Minor Irrigation	0.33	0.37	1.09	0.19	0.49
(d) Non-Ferrous Mining and Metallurgical industries	72.04	83.00	95.95	131.45	137.31
(e) Road Transport	18.51	10.01	18.54	25.79	28.49
(f) other or miscellaneous	487.56	698.24	598.66	742.39	538.67
Total	651.37	836.53	774.67	1,017.87	900.92

Source: Finance Accounts of the respective year

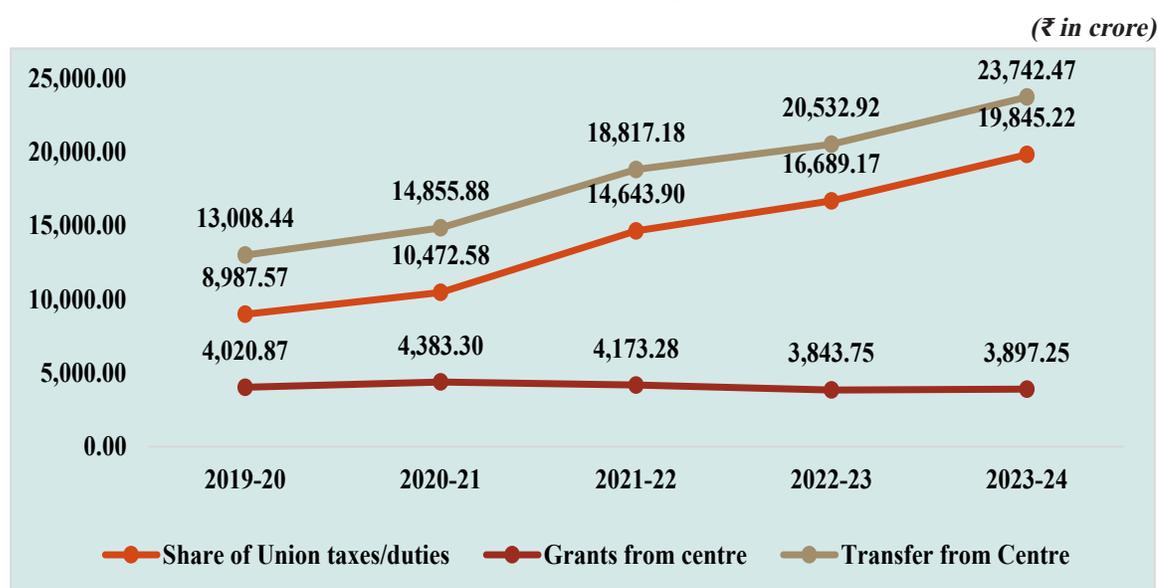
Non-Tax Revenue of State increased by ₹249.55 crore (38.31 per cent) from ₹651.37 crore in 2019-20 to ₹900.92 crore in 2023-24. During 2023-24, the Non-Tax Revenue decreased by ₹116.95 crore (11.49 per cent) over the previous year and it was due to a decrease in others and miscellaneous by ₹203.72 crore (27.44 per cent). CAGR of Non-Tax Revenue of the State for the five-year period (2019-20 to 2023-24) was 8.45 per cent.

During 2023-24, the Economic Services contributed ₹635.52 crore (70.54 per cent) whereas General and Social Services contributed only ₹137.69 crore (15.28 per cent) and ₹(-) 45.27 crore ((-) 5.02 per cent) respectively. Adverse balances under Social Services was due to release of labor cess collected by the State Government to the Arunachal Pradesh Building and Other Construction Workers Welfare Board (APBOCWFB). During 2023-24, Power Department was the major contributor under Economic Services which contributed ₹425.00 crore (82.60 per cent), it decreased by ₹107.84 crore (20.24 per cent) over the previous year (₹532.84 crore). Similarly, Public Works was the major contributor in General Services which contributed ₹37.71 crore (27.39 per cent) during 2023-24.

2.4.3 Transfers from the Centre

The Central Finance Commissions had recommended transfers under two important heads, namely tax devolutions and GIA, for corresponding five-year periods. First, they recommend tax devolutions which are general purpose transfer without being earmarked for expenditure in any specific area and these devolutions are specified as a *percentage* of sharable tax revenue. Second, the FCs state the principles governing GIA and recommend the amount of specific purpose grants. The transfer from the Centre *viz.* Share of Union Taxes/ Duties and GIA for the last ten years is depicted in **Chart 2.7**.

Chart 2.7: Central transfers during 2019-20 to 2023-24



Source: Finance Accounts of the respective year

Share of Union taxes/ duties had been showing an increasing trend, while GIA showed an inconsistent trend during the period from 2019-20 to 2023-24. During 2023-24, Transfer from the Centre increased by ₹3,209.55 crore (15.63 per cent). The increase in the receipts from the GoI had impacted on the Capital Expenditure, which is meant for creation of infrastructure, as the State was heavily dependent on transfer from the GoI.

Apart from this, GIAs was being released by the GoI, directly to the implementing agencies instead of routing it through the Consolidated Fund of State Government as discussed under **Paragraph 4.4**.

2.4.3.1 Share of Union taxes/ duties

Vertical devolution of net proceeds of the Central Taxes was adjusted about one *per cent* by the XV FC due to the factor of reorganisation of Jammu and Kashmir. Hence, XV FC recommended to decrease the vertical share of net proceeds of the Central Taxes to all the States combined from 42 to 41 *per cent*. This level of vertical transfers will allow appropriate fiscal space for the Union to meet its demands as well as maintain an adequate level of unconditional resources for the States.

Further, inter se shares of States (horizontal devolution) of net proceeds of the Central Taxes was increased due to taking into account of various other factors like population, area, forest and ecology, income distance criteria, demographic performance and tax efforts of the State. The inter se share of net proceeds of the taxes (Divisible pool) for the State was increased from 1.382 *per cent*⁵ (XIV FC) in 2019-20 to 1.757 *per cent* (XV FC) in 2021-24.

Actual devolution of State's share of Union taxes/ duties *vis-à-vis* projections made by the XIV and XV FC during the period 2019-20 to 2023-24 are given in **Table 2.7**.

Table 2.7: State's share in Union taxes/ duties: Actual devolution *vis-à-vis* FC projections

(₹ in crore)

Year	FC Recommendation	Projections by FC	Actual tax devolution	Variations Excess (+)/ Short (-)
2019-20	1.382 <i>per cent</i> of net proceeds of all shareable taxes including service tax and 1.431 <i>per cent</i> of net proceeds of shareable service tax recommended by XIV FC	14,308.00	8,987.57	(-)5,320.43
2020-21	1.760 <i>per cent</i> of net proceeds of all shareable taxes recommended by XV FC.	15,051.10	10,472.58	(-)4,578.52
2021-22	1.757 <i>per cent</i> of net proceeds of all shareable taxes recommended by XV FC.	11,571.43	14,643.90	3,072.47
2022-23		12,872.27	16,689.17	3,816.90
2023-24		14,484.44	19,845.22	5,360.78

Source: Approved Recommendation of XIV and XV FC Reports and Finance Accounts of the respective year.

During 2019-20 (XIV FC) and 2020-21 (XV FC) the actual devolution of State's share in Union taxes/ duties was less than the projections, while actual devolution of State's share in

⁵ Derived based on the total tax devolution projected for the States by the XIV FC for the award period (2015-20).

Union taxes/ duties was more than the XV FC projections from 2021-22 to 2023-24. During 2023-24, the actual devolution of State's share in Union taxes/ duties was ₹19,845.22 crore which was ₹5,360.78 crore (37.01 *per cent*) more than the projections made by the XV FC (₹14,484.44 crore).

Details of the composition of share of Union taxes/ duties during the five-years' period (2019-20 to 2023-24) are given in **Table 2.8**.

Table 2.8: Details Composition of share of Union taxes/ duties for the period 2019-20 to 2023-24

(₹ in crore)					
Head	2019-20	2020-21	2021-22	2022-23	2023-24
Central Goods and Services Tax (CGST)	2,550.31	3,152.15	4,466.42	4,714.67	6,022.77
Integrated Goods and Services Tax (IGST)	0.00	0.00	0.00	0.00	0.00
Corporation Tax	3,064.45	3,130.39	4,429.74	5,598.20	5,956.67
Taxes on Income other than Corporation Tax	2,401.21	3,205.59	4,462.28	5,461.06	6,879.14
Customs	569.70	582.90	875.24	655.93	695.45
Union Excise Duties	396.08	355.91	350.06	205.76	263.17
Service Tax	0.00	39.53	45.09	26.09	3.71
Other Taxes	5.82	6.11	14.80	27.46	24.31
Share of Union taxes/ duties	8,987.57	10,472.58	14,643.90	16,689.17	19,845.22
The growth rate over previous year	(-) 13.88	16.52	39.83	13.97	18.91
Percentage of share of Union taxes/ duties to Revenue Receipts	60.37	61.16	68.97	70.16	72.32

Source: Finance Accounts of the respective year

The share of Union taxes/ duties increased by ₹10,857.65 crore (120.81 *per cent*) from ₹8,987.57 crore in 2019-20 to ₹19,845.22 crore in 2023-24. During 2023-24, the share of Union taxes/ duties increased by ₹3,156.05 crore (18.91 *per cent*) over the previous year. This was due to a significant increase under Taxes on income other than Corporation Tax by ₹1,418.08 crore (25.97 *per cent*), Central Goods and Services Tax (CGST) by ₹1,308.10 crore (27.75 *per cent*), Union Excise Duties by ₹57.41 crore (27.90 *per cent*), Corporation Tax by ₹358.47 crore (6.40 *per cent*) and Customs by ₹39.52 crore (6.03 *per cent*) which was offset by decrease under Service tax ₹22.38 crore (85.78 *per cent*) and other taxes by ₹3.15 crore (11.47 *per cent*).

The growth rate of share of Union taxes/ duties during XV FC period (2020-21 to 2023-24) had been inconsistent, while share of Union taxes/ duties as a percentage of Revenue Receipts was in increasing trend.

2.4.3.2 Grants-in-Aid from GoI

Details of Grants-in-Aid (GIA) from GoI for period from 2019-20 to 2023-24 is given in **Table 2.9**.

Table 2.9: GIA from the GoI during 2019-24

(₹ in crore)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Centrally Sponsored Schemes	3,193.17	2,877.45	3,220.05	2,848.20	3,370.58
FC Grants	380.98	782.05	439.69	210.40	220.80
Other Transfer/ Other Grants to States	446.72	723.80	513.54	785.15	305.87
Total	4,020.87	4,383.30	4,173.28	3,843.75	3,897.25
Percentage of Increase/ Decrease over previous year	(-) 1.52	9.01	(-) 4.79	(-) 7.90	1.39
Total Grants as a percentage of Revenue Receipts	27.01	25.60	19.66	16.16	14.20

Source: Finance Accounts of the respective year

GIA from GoI decreased by ₹123.62 crore (3.22 per cent) from ₹4,020.87 crore in 2019-20 to ₹3,897.25 crore in 2023-24. During 2023-24, The GIA from GoI increased by ₹53.50 crore (1.39 per cent) over the previous year. This was due to significant increase of grant by ₹522.38 crore (18.34 per cent) under Centrally Sponsored Schemes and by ₹10.40 crore (4.94 per cent) under FC Grants which was partially offset by decrease in Other Grants to States by ₹479.28 crore (61.04 per cent). During the current year, the major contributor of GIA was Centrally Sponsored Scheme which contributed 86.49 per cent.

The Government estimated the GIA from GoI at ₹4,798.00 crore in the budget estimates while the GoI released ₹3,897.25 crore during the current year. During the current year GIA contributed 14.20 and 8.86 per cent of Revenue Receipts and GSDP. Quarter-wise flow of funds from GoI which has a bearing on the cash management of the state and smooth implementation of various schemes is shown in **Table 2.10**.

Table 2.10: Details of fund flow from Government of India

Particulars	Fund received during April-December	Percentage of Fund received during April-December	Fund received during January-March	Percentage of Fund received during January-March	Total Fund Received
State's share in Union taxes/ duties	13,129.88	66.16	6,715.34	33.84	19,845.22
GIA from GoI	1,954.91	50.16	1,942.34	49.84	3,897.25
Total	15,084.79	-	8,657.68	-	23,742.47

Source: Monthly Civil Accounts, 2023-24

The flow of funds in respect of the State's share in Union taxes/ duties and GIA in FY 2023-24 was not evenly spread, as around 34 and 50 per cent of State's share in Union taxes/ duties and GIA were released in the last quarter of the financial year, thus sufficient time was not left with the Government to utilise the funds which resulted in substantial savings as discussed in **Paragraph 3.3**.

Out of the GIA of ₹3,370.58 crore for 32 Centrally Sponsored Schemes (CSS) during 2023-24, the major amounts (₹1,278.82 crore, 37.94 per cent) were given to four CSS, as shown under:

- **Pradhan Mantri Gram Sadak Yojana (PMGSY):** During the current year PMGSY receipts were ₹339.90 crore as Grants which were lower than the previous year (₹1,018.74 crore) by ₹678.84 crore (66.64 per cent).
- **National Health Mission:** State Government received ₹339.52 crore as Grants for National Health Mission with an increase of ₹131.14 crore (62.93 per cent) over the previous year (₹208.38 crore).
- **Mission for 100 Smart Cities:** State Government received ₹490.00 crore as grants for 100 Smart Cities with an increase of ₹392.00 crore (400 per cent) over the previous year (₹98.00 crore).
- **Border Area Development Programme (BADP):** During the current year, ₹109.40 crore was received, which was higher than the previous year (₹9.11 crore) by ₹100.29 crore (1,100.88 per cent).

Single Nodal Agency

The Department of Expenditure, Ministry of Finance, GoI vide Office Memorandum⁶ (December 2021) provided that every State Government is required to designate a Single Nodal Agency (SNA) for implementing each Centrally Sponsored Scheme (CSS). SNA will open Single Nodal Account for each CSS at the State level in Scheduled Commercial Bank authorised to conduct business by the State Government. Further, as per the new procedure, it is the responsibility of the state government concerned to ensure that entire unspent amount is returned by all the Implementing Agencies to the Account of SNA.

As per the SNA 01 report from the PFMS, the State Government received ₹3,297.64 crore being Central share during the year in its Treasury account. As on 31 March 2024, the Government transferred Central share of ₹3,650.39 crore, State share of ₹577.10 crore and ₹343.06 crore as Top Up to the SNAs. Out of total transfer of ₹4,570.55 crore, ₹2,190.84 crore was transferred through GIA bills and ₹2,379.71 crore was transferred through Fully Vouched Contingent Bills. Detailed vouchers and supporting documents of actual expenditure were not received by Accountant General Office from the SNAs.

Details of funds released from GoI to State and State to SNA is given in **Table 2.11**.

Table 2.11: Details of released of fund to Single Nodal Agency

(₹ in crore)

Amount released by GoI to State	Central Share released from treasury to SNA	State share released from Treasury to SNA	Total released by Treasury to SNA	Total Expenditure	Balance in the Bank Account of SNA
3,297.64	3,650.39	577.10	4,570.54	5,557.55	1,606.93

Source: Public Financial Management System, 2023-24

⁶ No.1(13)/PFMS/FCD/2020 dated 08 December 2021

As on 31 March 2024, an amount of ₹1,606.93 crore, including both Central and State shares, were parked in SNA bank accounts of 64 schemes as detailed in **Appendix 2.3**. Details of schemes where ₹15.00 crore and above were lying unspent in SNA bank accounts are given below in **Table 2.12**.

Table 2.12: Details of Schemes ₹15.00 crore and above parked in SNA bank accounts

<i>(₹ in crore)</i>	
Particulars	Amount
Pradhan Mantri Gram Sadak Yojna	448.69
Samagra Shiksha	126.02
Mission for Development of 100 Smart Cities	115.20
Border Area Development Programme (BADP)	111.50
Har Khet Ko Pani	111.37
Pradhan Mantri Awas Yojna (PMAY)- Rural	73.78
Saksham Anganwadi and Poshan 2.0(Umbrella ICDS-Anganwadi Services Poshan Abhiyan Scheme for Adolescent Girls National Creche Scheme)	72.07
Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission	61.39
Pradhan Mantri Krishi Sinchayi Yojna-Watershed Development Component	49.63
Urban Rejuvenation Mission-500 Cities	37.90
National Rural Livelihood Mission	30.19
Swachh Bharat Mission (SBM) – Urban	29.31
Post Matric Scholarship-Tribal	26.96
Mahatma Gandhi National Rural Guarantee Program	26.61
Strengthening of Infrastructure for Institutional Training	26.30
Mission Vatsalya (Child Protection Services and Child Welfare Services)	25.85
Infrastructure Facilities for Judiciary	24.33

Source: Public financial Management System, 2023-24

As could be seen from the above table, major amount parked in SNA Bank Account were - Samagra Shiksha (₹126.02 crore), Pradhan Mantri Gram Sadak Yojana (₹448.69 crore), Har Khet ko Pani (₹111.37 crore), Border Area Development Programme (BADP) (₹111.50 crore) and Mission for Development of 100 SMART Cities (₹115.20 crore) due to receive of around 50 *per cent* of fund during last quarter of 2023-24, as shown in **Table 2.10**.

Fifteenth Finance Commission Grants

The Fifteenth Finance Commission (XV FC) grants were provided to the States for Local Bodies and the State Disaster Response Fund (SDRF), Post devolution revenue deficit and

State Disaster Response and Mitigation Fund (SDRMF). Details of grants provided by GoI as shown in the **Table 2.13**.

Table 2.13: Details of XV FC grants provided by GoI to the State

(₹ in crore)

Classification	Recommendation of XV FC				Actual release by GoI				Release by State Government			
	2021-22	2022-23	2023-24	Total	2021-22	2022-23	2023-24	Total	2021-22	2022-23	2023-24	Total
(i) Grants to PRIs	170.00	177.00	179.00	526.00	142.75	0.00	0.00	142.75	200.50*	0.00	0.00	200.50
(a) Tied Grants#	102.00	106.20	107.40	315.60	108.75	0.00	0.00	108.75	108.75	0.00	0.00	108.75
(b) Untied Grants	68.00	70.80	71.60	210.40	34.00	0.00	0.00	34.00	91.75*	0.00	0.00	91.75
(ii) Grants to ULBs	84.00	87.00	92.00	263.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(a) Tied Grants#												
{Non-Million Plus Cities (NMPC)}	50.40	52.20	55.20	157.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(b) Untied Grants (NMPC)	33.60	34.80	36.80	105.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SDRF (Central Share)	200.00	210.40	220.80	631.20	200.00	210.40	220.80	631.20	100.00	100.00	122.80	322.80
SDMF (Central Share)	50.00	52.60	55.20	157.80	50.00	0.00	0.00	50.00	0.00	50.00	0.00	50.00
Health Grants	49.00	49.00	51.00	149.00	46.94	0.00	0.00	46.94	0.00	0.00	0.00	0.00
Total	723.00	753.00	777.00	2,253.00	582.44	210.40	220.80	1013.64	501.00	150.00	122.83	773.80

Source: XV FC report, Finance Accounts of the respective year, and Information furnished by the respective Department.

For drinking water, rain water harvesting, SWS and sanitation

* including previous year's balance

It can be seen from **Table 2.13** above, during the period from 2021-2024, XV FC recommended for ₹2,253.00 crore to the State. Against the recommendation, GoI released ₹1,013.00 crore during 2021-2024, in turn the State Government released an amount of ₹773.80 crore (including previous year's balance) to the Implementing Departments.

- An amount of ₹526.00 crore (Tied Grants: ₹315.60 crore + Untied Grants: ₹210.40 crore) recommended by the XV FC in respect of Panchayati Raj Institutions (PRIs) for the period 2021-22 to 2023-24. Out of the recommendation, GoI released only ₹142.75 crore during 2021-22, in turn the State Government released ₹200.50 crore (including previous year) to the implementing department.
- During the period 2021-22 to 2023-24, XV FC recommended an amount of ₹263.00 crore (Tied Grants: ₹157.80 crore + Untied Grants: ₹105.20 crore) for

Urban Local Bodies (ULBs), however, GoI did not release any amount to the State Government due to non-fulfillment of the criteria sets by the XV FC for the tied as well as untied grants for ULBs. Consequently, the release by the State Government to the implementing department was Nil.

- During 2021-22 to 2023-24, as per recommendation made by XV FC, GoI released the entire amount of ₹631.20 crore for State Disaster Response Fund (SDRF) was by. Out of ₹200.00 crore received during 2021-22, the State Government released ₹100.00 crore in 2021-22 and the remaining ₹100.00 crore in 2022-23 to the Disaster Management Department. Grants released by GoI during 2022-23 were not released by the State Government to the Department. Out of ₹220.80 crore released by GoI during 2023-24, ₹122.80 crore was released to the Department by the State Government during 2023-24.
- During 2021-22, GoI released ₹50.00 crore towards State Disaster Mitigation Fund (SDMF). The State Government transferred the same amount to the Department during 2022-23. The State Government had not received any amount from the GoI during 2022-23 and 2023-24 against the recommendation of XV FC of ₹52.60 crore and ₹55.20 crore respectively.
- With respect to Health Grants, XV Finance Commission recommended ₹49.00 crore during 2021-22, ₹49.00 crore during 2022-23 and ₹51.00 crore during 2023-24. An amount of ₹46.94 crore was released by GoI during the period 2021-22 as against the recommendations of ₹49.00 crore. While, GoI did not release any amount during the period 2022-23 and 2023-24. However, the State Government did not release the fund of ₹46.94 crore to the implementing department.

The non-release and delayed release of crucial grants highlight gaps in fiscal management, fund utilisation, and compliance. Immediate structural reforms and enhanced fiscal discipline are required to ensure optimal utilisation of Finance Commission funds for economic development and service delivery in Arunachal Pradesh

2.4.4 Capital Receipts

Details of Capital Receipts during 2019-20 to 2023-24 are given in **Table 2.14**.

Table 2.14: Trends in growth and composition of Capital Receipts

Sources of Receipts	2019-20	2020-21	2021-22	2022-23	2023-24
Capital Receipts	1,797.74	1,522.00	1,489.56	2,484.42	3,780.96
<i>Rate of growth of Capital Receipts (in per cent)</i>	48.57	(-) 15.34	(-) 2.13	66.79	52.19
Recovery of Loans and Advances	7.03	5.94	6.85	4.86	5.96
<i>Rate of growth of non-debt capital receipts (in per cent)</i>	38.39	(-) 15.50	15.32	(-) 29.05	22.63
Public Debt Receipts	1,790.71	1,516.06	1,482.71	2,479.56	3,775.00
<i>Rate of growth of debt Capital Receipts (in per cent)</i>	48.61	(-) 15.34	(-) 2.20	67.23	52.24

Sources of Receipts	2019-20	2020-21	2021-22	2022-23	2023-24
Internal Debt	1,790.71	1,283.09	1,111.52	915.45	1,411.58
<i>Growth rate (in per cent)</i>	48.61	(-) 28.35	(-) 13.38	(-) 17.64	54.20
Loans and advances from GoI	0.00	232.97	371.19	1,564.11	2,363.42
<i>Growth rate (in per cent)</i>	0.00	232.97	59.32	321.38	51.10
GSDP	30,023.65	30,525.36	34,774.78	39,629.96	43,991.61
<i>Rate of growth of GSDP (in per cent)</i>	18.51	1.67	13.92	13.96	11.01

Source: Finance Accounts of the respective year

During 2023-24, Capital Receipts increased by 52.19 *per cent* over the previous year. During the five-year period, Capital Receipts increased more than two times from ₹1,797.74 crore in 2019-20 to ₹3,780.96 crore in 2023-24.

Public Debt Receipts consist of borrowings taken from the Market, Financial Institutions and Loans and Advances from the GoI. As can be seen from the **Table 2.14** above, the sources of public debt receipts for the State was Loans and advances from GoI, which constituted 62.61 *per cent* and Internal Debt which constitutes 37.39 *per cent*. The State Government projected total outstanding liabilities for 2023-24 was ₹20,084.12 crore under rolling targets of MTFP, the actual outstanding liabilities was ₹19,610.17 crore.

Market Borrowing attracts higher interest rates, are in the nature of untied funds giving freedom to the State Government to spend the money as per their priorities, while the negotiated loans from institutions like NABARD *etc.* are nature in tied funds. It was observed that the State Government opted for the Market Borrowings year after year. The share of Market Borrowings (Market loans and Loans from financial institutions) to Internal Debt during 2023-24 was 99.13 *per cent*.

Internal Debt consisted of Market Loans (₹899.33 crore during 2023-24 against ₹559.00 crore during 2022-23), Loans from Financial Institutions (₹500.00 crore during 2023-24 against ₹348.70 crore during 2022-23) and other loans (₹12.25 crore during 2023-24 against ₹7.75 crore during 2022-23). State Government received ₹2,363.42 crore loans from GoI during 2023-24 as against ₹1,564.11 crore in 2022-23 which is ₹799.31 crore (51.10 *per cent*) more than the previous year.

Arunachal Pradesh's financial position in 2023-24 reflects rising debt dependency, inefficient fund utilization, and fiscal risks which could affect long-term sustainability. While fiscal deficit as a percentage of GSDP has improved, the State's increasing reliance on borrowed funds for revenue and capital expenditure poses significant fiscal risks. Strengthening revenue mobilisation, improving debt management, and ensuring timely fund utilisation are critical to enhancing Arunachal Pradesh's financial health and reducing its reliance on borrowings.

2.5 Application of resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of Economic and Social sector.

Prudent fiscal management should aim at creating savings by raising Revenue Receipts in excess of Revenue Expenditure. Use of borrowed funds for either directly revenue yielding activities or indirectly productive uses create returns by way of State Own Tax or Non-Tax Revenues that can be used for debt servicing and repayment of loans.

Analysis of allocation of expenditure in the State is given in succeeding paragraphs.

2.5.1 Growth and composition of expenditure

Total Expenditure (TE) comprises of Revenue expenditure, Capital expenditure and Loans and Advances. **Table 2.15** and **Chart 2.8** presents trend in Total Expenditure and its composition over five-year period (2019-20 to 2023-24).

Table 2.15: Total expenditure and its composition during the period 2019-20 to 2023-24

(₹ in crore)

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	15,927.80	18,215.65	22,337.53	25,528.40	29,030.85
Revenue Expenditure (RE)	12,218.73	13,087.50	15,846.64	17,417.67	20,564.35
Capital Expenditure (CE)	3,693.05	5,123.35	6,488.33	8,107.36	8,463.83
Loans and Advances	16.02	4.80	2.56	3.37	2.67
GSDP	30,023.65	30,525.36	34,774.78	39,629.96	43,991.61
As a percentage of GSDP					
TE/ GSDP	53.05	59.67	64.23	64.42	65.99
RE/ GSDP	40.70	42.87	45.57	43.95	46.75
CE/ GSDP	12.30	16.78	18.66	20.46	19.24
Loans and Advances / GSDP	0.05	0.02	0.01	0.01	0.01

Source: Finance Accounts of the respective year and for GSDP Directorate of Economics and Statistics, Government of Arunachal Pradesh (GoAP) (as on 31 March 2024)

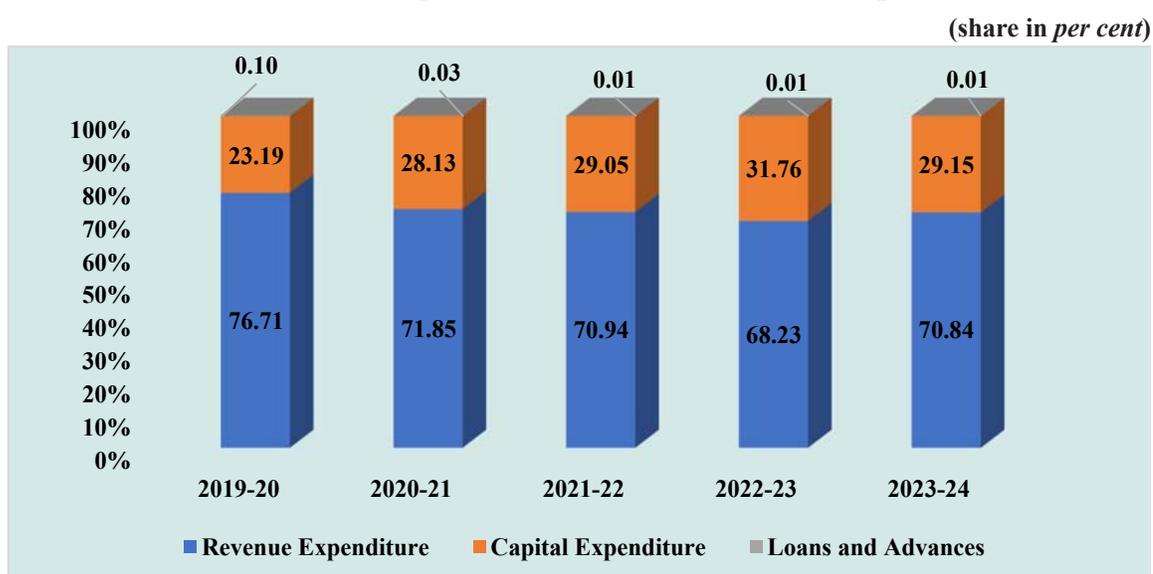
In absolute terms, the Total Expenditure (TE) showed an increasing trend during 2019-20 to 2023-24. TE increased by ₹13,103.05 crore (82.27 per cent) from ₹15,927.80 crore in 2019-20 to ₹29,030.85 crore in 2023-24. This was due to increase in Revenue Expenditure by ₹8,345.62 crore (from ₹12,218.73 crore in 2019-20 to ₹20,564.35 crore in 2023-24) and in the Capital Expenditure by ₹4,770.78 crore (from ₹3,693.05 crore in 2019-20 to ₹8,463.83 crore in 2023-24). During 2023-24, the TE increased by ₹3,502.45 crore (13.72 per cent) over the previous year (₹25,528.40 crore) which was due to increase in

Revenue Expenditure by ₹3,146.68 crore (18.07 per cent) and Capital Expenditure by ₹356.47 crore (4.40 per cent).

Further, as a *percentage* of GSDP, TE showed increasing trends during the last five-years' period. During the current year, the ratio of TE to GSDP increased over the previous year due to increase in RE to GSDP.

The share of Revenue Expenditure, Capital Expenditure and Loans and Advances are shown in **Chart 2.8**.

Chart 2.8: Total Expenditure: Trends in share of its components



Source: Finance Accounts of the respective year

Higher proportion of Revenue Expenditure to the Total Expenditure is not favourable in economy for growth of the State as this trend leads to more borrowings which create burden on State exchequers. The share of Revenue Expenditure in TE was significantly high in 2019-20, thereafter showed a decreasing trend up to 2022-23 and increased to 70.84 per cent in 2023-24. Increasing trend in Revenue Expenditure is not healthier sign for economy as it does not create scope for servicing of debt as well as infrastructure development in the State.

Higher proportion of Capital Expenditure to TE is anticipated as it would lead to the overall development of the economy. The share of Capital Expenditure in TE showed an increasing trend from 2019-20 to 2022-23 thereafter decreased at 29.15 per cent during the current year 2023-24.

The increase in Revenue Expenditure was 68.30 per cent over 2019-20 to 2023-24 whereas the increase in the Capital Expenditure was 129.18 per cent during the same period indicating that the Government has been focussing on improving the infrastructure in the State. However, the investment in Capital expenditure remains unfruitful due to large number of incomplete projects as discussed in **Paragraph 2.6.2**.

The relative share of various sectors of expenditure to TE is depicted in **Table 2.16** and **Chart 2.9**.

Table 2.16: Relative share of various sectors of expenditure

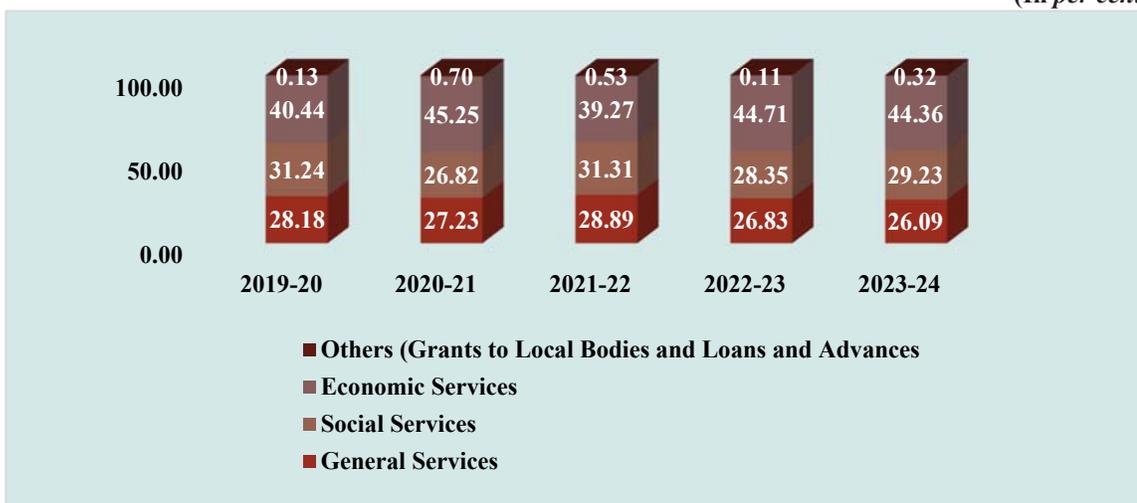
(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
General Services	4,488.96	4,960.55	6,452.35	6,849.74	7,573.62
Social Services	4,975.82	4,885.09	6,994.97	7,237.26	8,485.88
Economic Services	6,441.63	8,243.42	8,772.31	11,412.51	12,878.34
Others (Grants to Local Bodies and Loans and advances)	21.39	126.59	117.90	28.89	93.01
Total	15,927.80	18,215.65	22,337.53	25,528.40	29,030.85

Source: Finance Accounts of the respective year

Chart 2.9: Total expenditure - Expenditure by activities

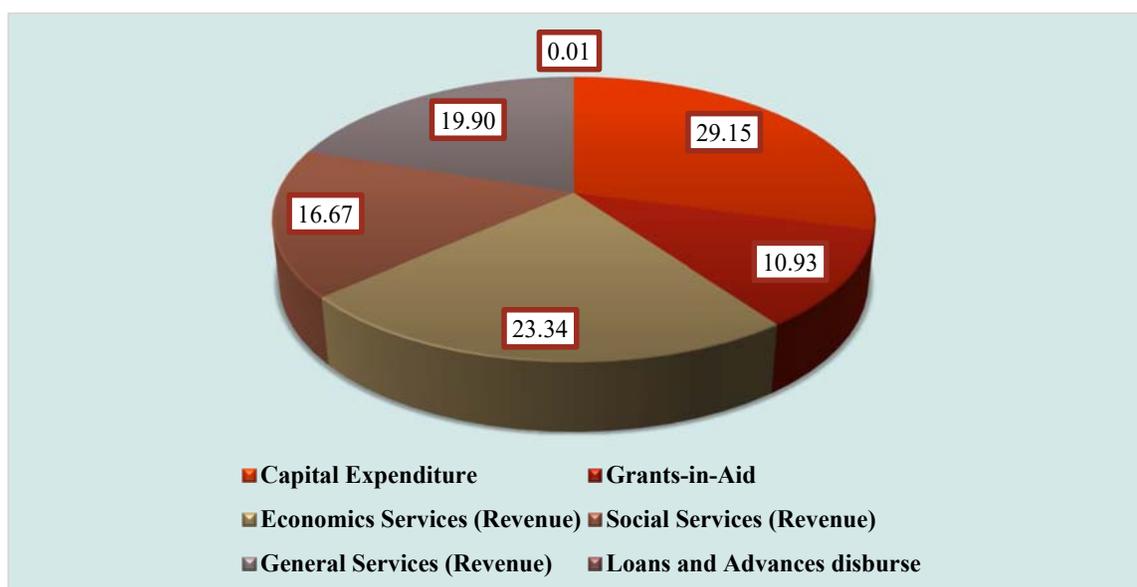
(In per cent)



Source: Finance Accounts of the respective year

Increase in relative share of the Economic Services is a healthy sign for economy as it contributes to the infrastructure development, employment growth and Revenue generation for the State in future. Increase in the relative share of Social Services is a positive indicator for social development of the State. Relative share of all the activities showed inconsistent trends for the last five-year period. During 2023-24, relative share of the Social Services increased over the previous year while General Services and Economic Services experienced a decrease during the same period. **Chart 2.10** shows composition of expenditure by function.

Chart 2.10: Composition of expenditure by function during 2023-24



Source: Finance Accounts, 2023-24

Arunachal Pradesh's fiscal trajectory in 2023-24 reflects a shift towards higher capital expenditure and economic services investments, which is a positive step for long-term growth. However, the persistence of high revenue expenditure, rising debt obligations, and declining allocations to critical social sectors pose serious fiscal risks. The state needs improved expenditure efficiency, better resource mobilization, and stricter debt management to maintain fiscal sustainability while ensuring inclusive economic development.

2.5.2 Revenue Expenditure

Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organisation, including establishment and administrative expenses shall be classified as Revenue Expenditure.

The Revenue Expenditure, its rate of growth and its sector-wise distribution for the period from 2019-20 to 2023-24 are shown in **Table 2.17** and **Chart 2.11** respectively.

Table 2.17: Revenue Expenditure – Basic Parameters

Parameters	₹ in crore				
	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	15,927.80	18,215.65	22,337.53	25,528.40	29,030.85
GSDP	30,023.65	30,525.36	34,774.78	39,629.96	43,991.61
Revenue Expenditure (RE)	12,218.73	13,087.50	15,846.64	17,417.67	20,564.35
Revenue Receipts (RR)	14,888.55	17,123.51	21,231.64	23,788.14	27,441.00
Rate of Growth of RR (<i>per cent</i>)	(-) 8.07	15.01	23.99	12.04	15.36
Rate of Growth of RE (<i>per cent</i>)	(-) 1.70	7.11	21.08	9.91	18.07
Rate of Growth of GSDP	18.51	1.67	13.92	13.96	11.01

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Expenditure as <i>percentage</i> of TE	76.71	71.85	70.94	68.23	70.84
RE/ GSDP (<i>per cent</i>)	40.70	42.87	45.57	43.95	46.75
RE as <i>percentage</i> of RR	82.07	76.43	74.64	73.22	74.94

Source: Finance Accounts of the respective year and for GSDP- Directorate of Economics and Statistics, Government of Arunachal Pradesh (GoAP) (as on 31 March 2024)

Revenue Expenditure had an increasing trend during the period from 2019-20 to 2023-24 with a CAGR of 13.90 *per cent*. It made up a significant portion (between 68 and 77 *per cent*) of Total expenditure during this period, growing at an average annual rate of 10.89 *per cent*.

Revenue Expenditure increased by ₹8,345.62 crore (68.30 *per cent*) from ₹12,218.73 crore in 2019-20 to ₹20,564.35 crore in 2023-24. This was due to an increase in expenditure in the Economic Services by ₹4,041.54 crore (97.82 *per cent*), General Services by ₹1,957.34 crore (51.09 *per cent*) and Social Services by ₹2,346.74 crore (55.14 *per cent*).

During 2023-24, the Revenue Expenditure increased by ₹3,146.68 crore. In percentage term, increased in revenue expenditure of the State (18.07 *per cent*) during the current year is second highest in India after Chhattisgarh (34.50 *per cent*). over the previous year which was due to increase in expenditure under Economic Services (₹1,804.12 crore), General Services (₹583.84 crore) and Social Services (₹758.72 crore).

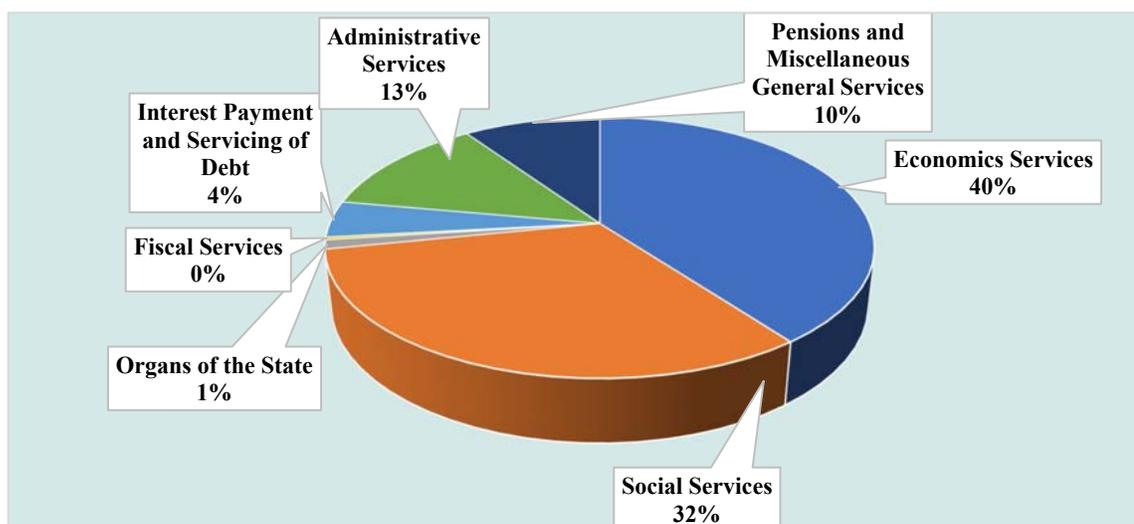
During 2023-24, there was a significant increase in RE under the Economic Services over the previous year by ₹1,804.12 crore (28.33 *per cent*) which was attributable to a significant increase in the expenditure on Crop Husbandry (₹189.47 crore), Rural Employment (₹178.68 crore), Flood Control and Drainage (₹107.83 crore), Power (₹259.66 crore), and Roads and Bridges (₹1,253.09 crore). The increase in expenditure by ₹583.84 crore (11.22 *per cent*) under General Services was due to the increase of expenditure in Public Works Department (₹205.29 crore) and Pensions and Other Retirement Benefits (₹31.07 crore). During the current year, the increase in Revenue expenditure by ₹758.72 crore (12.98 *per cent*) under Social Services was mainly attributable to increase under Medical and Public Health (₹104.08 crore), Water Supply and Sanitations (₹282.12 crore), Social Security and Welfare (₹120.92 crore) and Relief on Account of Natural Calamities (₹316.76 crore). This had mainly partially offset under General Education (₹158.10 crore).

During the current year, the State Government projected total Revenue Expenditure of ₹23,094.80 crore in BE, whereas the FC assessed it only ₹12,150.00 crore while actual Revenue Expenditure was ₹20,564.35 crore. The actual Revenue Expenditure was higher by ₹8,414.35 crore (69.25 *per cent*) than the projection made by the XV FC and lower by ₹2,530.49 crore (10.96 *per cent*) than the projection made by the State. The lower

Revenue Expenditure than the projection helped to achieve the Revenue Surplus during 2023-24. Also, CAGR of the Revenue Expenditure for the five-year period (2019-20 to 2023-24) was 13.90 per cent while the CAGR of the Revenue Receipts for the same period was 16.52 per cent. This implies that Revenue Receipts is growing faster than Revenue Expenditure. This helped the State to maintain Revenue Surplus.

Sectoral distribution of Revenue Expenditure pertaining to 2023-24 is given in Chart 2.11.

Chart 2.11: Sector-wise Distribution of Revenue Expenditure during 2023-24



Source: Finance Accounts, 2023-24

Major portion of Revenue Expenditure was on Economic Services (40 per cent) followed by Expenditure on Social (32 per cent) and General Services (28 per cent). The major contributors under General services were Administrative Services (13 per cent), Pensions and Miscellaneous (10 per cent) and Interest payment (04 per cent).

2.5.2.1 Major changes in Revenue Expenditure

Variations under significant Heads of Account with regard to the Revenue Expenditure of the State during the current year *vis-à-vis* the previous year, are shown in Table 2.18.

Table 2.18: Head-wise variations in the Revenue Expenditure over the previous year

(₹ in crore)

Major Changes in Revenue Expenditure			
Major Heads of accounts	2022-23	2023-24	Variation
Increase			
General Sector			
2059-Public Works Department	370.99	576.18	205.19
2071-Pensions and Other Retirement Benefits	1,665.22	1,975.29	310.07
Social Sector			
2210-Medical and Public Health	1,452.95	1,557.03	104.08
2215-Water Supply and Sanitations	633.97	916.09	282.12

Major Changes in Revenue Expenditure			
Major Heads of accounts	2022-23	2023-24	Variation
Increase			
General Sector			
2235-Social Security and Welfare	348.53	469.45	120.92
2245-Relief on Account of Natural Calamities	178.45	495.21	316.76
Economic Services			
2401-Crop Husbandry	593.82	783.29	189.47
2505-Rural Employment	369.56	548.24	178.68
2711-Flood Control and Drainage	34.01	141.84	107.83
2801-Power	1,374.71	1,634.37	259.66
3054-Roads and Bridges	888.38	2,141.47	1,253.09
Decrease			
Social Sector			
2202-General Education	2,533.28	2,375.18	(-)158.10
Economic Sector			
2406-Forestry and Wild Life	313.13	154.71	(-) 158.42
2408-Food, Storage and Warehousing	345.62	59.21	(-) 286.41

Source: Finance Accounts of respective year

The sector-wise changes in Revenue Expenditure during 2023-24 over the previous year revealed the following:

(A) General Services:

- Revenue Expenditure (RE) increased by ₹205.19 crore under Public Works Departments due to the increase under Direction and Administration (₹177.21 crore) and Construction (₹22.51 crore).
- Major contributor for increasing expenditure under General sector was Pension and Other Retirement Benefits, which increased by ₹310.07 crore (18.62 per cent) over the previous year. This was mainly due to the increase in the expenditure on Gratuities (₹10.08 crore), and Government contribution for Defined Contribution Pension Scheme (₹104.51 crore) and was partially offset by decrease in Superannuation and Retirement Allowances (₹69.22 crore).

(B) Social Services:

- There was a significant decrease in the Revenue Expenditure under Social Services under General Education by ₹158.10 crore (6.24 per cent). This was due to a significant decrease in the expenditure under Sarva Shiksha Abhiyan by ₹441.15 crore (100 per cent), National Programme of Mid Day Meals in Schools by ₹19.20 crore (100 per cent), Scholarships by ₹58.87 crore (100 per cent) and Institutes of Higher Learning ₹22.76 crore (100 per cent).

- Revenue Expenditure under Medical and Public Health increased by ₹104.08 crore (7.16 per cent) over the previous year (₹1,452.95 crore). This was due to significant increase in expenditure under Health Sub-centers by (₹238.20 crore), Tribal Area Sub-Plan ₹183.98 crore (100 per cent), and Other Expenditure by ₹3.28 crore (100 per cent) which was partially offset by decrease under Hospital and Dispensaries by ₹227.12 crore, Special Component Plan for Scheduled Castes by ₹9.00 crore and Other Systems by ₹15.27 crore.
- There was a significant increase in Revenue Expenditure under Water Supply and Sanitations by ₹282.12 crore (44.50 per cent) over the previous year. This was due to the increase in expenditure under Urban Water Supply Programmes by ₹82.71 crore (100 per cent), Rural Water supply Programmes (₹196.90 crore) and Tribal Area Sub-Plan by ₹12.81 crore (100 per cent) which was partially offset by decrease under Sanitation Services by ₹10.30 crore.
- Revenue Expenditure under Social Security and Welfare increased by ₹120.92 crore (34.69 per cent) over the previous year. This was due to the significant increase under Child Welfare (₹10.20 crore), Other Programmes (₹146.62 crore), Women's Welfare (₹19.53 crore) and Direction and Administration (₹1.96 crore) which was partially offset by decrease under Tribal Area Sub-Plan by ₹8.79 crore (100 per cent).
- Relief on Account of Natural Calamities was major contributor under Social Services for changes in RE over the previous year. It increased by ₹316.76 crore (177.51 per cent) due to significant increase of expenditure under Gratuitous Relief (₹25.61 crore), Veterinary Care (₹32.47 crore), Assistance to Farmers for purchase of Agriculture inputs (₹85.38 crore), Repairs and restoration of damaged irrigation and flood control works (₹56.60 crore) and Transfer to Reserve Funds and Deposit Accounts-State Disaster Response Fund (₹78.93 crore).

(C) Economic Services:

- Revenue Expenditure under Crop Husbandry increased by ₹189.47 crore (31.91 per cent) over the previous year (₹593.82 crore). This was due to significant increase of RE under Agricultural Farms by ₹24.11 crore, Development of Oil Seeds by ₹38.30 crore, Horticulture and Vegetable Crops by ₹50.60 crore, Tribal Area Sub-Plan by ₹41.31 crore and Schemes for Small/Marginal Farmers and Agricultural Labour by ₹27.03 crore which was partially offset by decrease under agricultural Engineering by ₹8.51 crore (100 per cent).

- Revenue Expenditure under Rural Employment increased by ₹178.68 crore (48.35 per cent) over the previous year (₹369.56 crore). This was due to significant increase of RE under National Rural Employment Guarantee Scheme by ₹231.03 crore which was partially offset by decrease under Tribal Area Sub-Plan by ₹52.35 crore.
- Revenue Expenditure under Flood Control and Drainage increased by ₹107.83 crore (317.05 per cent) over the previous year. This was due to significant increase of RE under Other Expenditure by ₹108.98 crore (332 per cent) which was partially offset by decrease under Civil works by ₹52.35 crore (100 per cent).
- During 2023-24, Revenue Expenditure under Power increased by ₹259.66 crore (18.89 per cent). This was due to an increase of RE under Purchase of Power by ₹49.12 crore, Machinery and Equipment by ₹125.00 crore and Direction and Administration by ₹37.02 crore.
- The major contributor for increase under Economic sector was Roads and Bridges, which increased by ₹1,253.09 crore (141.05 per cent) over the previous year. This was mainly due to significant increase in Revenue Expenditure under Road Works by ₹614.98 crore, Transfers to/from Reserve Fund/Deposit Account by ₹238.00 crore (100 per cent) and Maintenance and Repairs by ₹383.91 crore which was partially offset by decrease in Revenue Expenditure under Other Expenditure by ₹19.25 crore.
- Revenue expenditure under Forestry and Wild Life decreased over the previous year by ₹158.42 crore (50.59 per cent). This was due to significant decrease in expenditure under State Compensatory Afforestation (SCA) by ₹179.50 crore (95 per cent)
- Revenue expenditure under Food, Storage and Warehousing decreased over the previous year by ₹286.41 crore (82.87 per cent). This was due to significant decrease in expenditure under Food Subsidies by ₹46.03 crore (100 per cent), assistance to Public Sector and Other undertakings by ₹286.57 crore (98 per cent) and Other Expenditure by ₹6.36 crore (100 per cent).

Table 2.19: Trend of Major share of expenditure under Revenue in Social Sector

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
General Education	1,708.14	1,485.92	2,162.29	2,533.28	2,375.18
Medical and Public Health	926.15	914.12	1,315.27	1,452.95	1,557.03
Social Security and Welfare	352.69	216.37	333.33	348.53	469.45
Water Supply and Sanitation	752.31	885.35	960.26	633.97	916.09
Urban Development	96.78	222.65	380.85	213.71	241.58

Source: Finance Accounts of respective year

For the last five years (2019-20 to 2023-24), General Education and Medical and Public Health are the prominent contributors in Revenue Expenditure under Social Services which contributed 35.97 and 23.58 *per cent* of Revenue Expenditure of Social Services in 2023-24 respectively.

Composition of Major contributor under Revenue Expenditure on Economic Sector are given in **Table 2.20**.

Table 2.20: Trend of Major contributors under Revenue Expenditure on Economic Sector

(₹ in crore)

Head of Accounts	2019-20	2020-21	2021-22	2022-23	2023-24
Crop Husbandry	298.33	288.90	447.09	593.82	783.29
Animal Husbandry	179.76	147.28	188.46	151.35	164.17
Forestry and Wild life	211.02	242.93	300.53	313.13	318.47
Food, Storage and Warehousing	246.24	4.90	120.34	345.62	59.21
Rural Employment	184.02	224.50	175.78	369.56	548.24
Other Rural Development Programme	211.68	748.53	441.96	534.82	570.31
Minor Irrigation	189.28	337.44	358.38	329.14	257.42
Power	893.96	1,044.17	1,380.18	1,425.31	1,678.20
Village and Small Industries	84.22	69.88	88.03	101.29	112.32
Roads and Bridges	890.38	652.33	875.78	888.38	2,141.47
Road Transport	110.31	115.29	154.08	209.74	164.11

Source: Finance Accounts of the respective year

In respect of Economic Sector, the Energy (Power), Roads and Bridges, Crop Husbandry and Other Rural Development were the major contributors for the past five-years (2019-20 to 2023-24).

2.5.3 Committed and Inflexible Expenditure

Committed Expenditure of the State Government on Revenue Account consists of Interest Payments, expenditure on Salaries and expenditure on Pensions. Hence, a priority for government to meet the committed expenditure from government resources. Increasing share of committed expenditure restricts Government's ability to incur developmental expenditure.

Apart from Committed Expenditure, there are certain items of inflexible expenditure which cannot be ordinarily altered or varied or are statutorily required on an annual basis, unlike for variable transactions such as capital expenditure *etc.* The inflexible expenditure is consist of: (i) Devolution to local bodies, (ii) Statutory requirements of contribution to Reserve Funds, (iii) Recoupment of Contingency Fund, (iv) Transfer of cess to reserve fund/ other body, which are statutorily required, (v) Share contribution of CSS against the Central Fund received and (vi) Payment of interest on the balances of the interest-bearing

funds as if they could have been invested and payment of interest on public debt as charged expenditure – ‘Interest Payment’.

Upward trend on committed expenditure leaves the Government with lesser flexibility in prioritising expenditure and increasing capital investments to meet growing needs of social and economic infrastructure. Trend analysis of committed and inflexible expenditure and its components is depicted in **Table 2.21** and share of committed expenditure in total Revenue Expenditure during 2019-20 to 2023-24 are shown in **Chart 2.12**.

Table 2.21: Components of Committed and Inflexible Expenditure

(₹ in crore)

Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
Salaries and Wages*	6,023.86	6,125.12	6,770.84	7,576.05	5,497.83
<i>Salaries (Normal)</i>	<i>4,917.24</i>	<i>5,058.48</i>	<i>5,568.44</i>	<i>6,233.10</i>	<i>4,111.65</i>
<i>Salaries(GIA)</i>	<i>598.51</i>	<i>548.82</i>	<i>670.97</i>	<i>785.93</i>	<i>733.77</i>
<i>Wages</i>	<i>508.11</i>	<i>517.82</i>	<i>531.43</i>	<i>557.02</i>	<i>652.41</i>
Expenditure on Pensions	882.31	1,085.32	1,362.29	1,664.98	1,974.92
Interest Payments	614.53	752.34	777.62	834.64	858.03
Total	7,520.70	7,962.78	8,910.75	10,075.67	8,330.78
Components of Inflexible Expenditure					
Statutory devolution to Local Bodies	0.00	0.00	0.00	0.00	0.00
Contribution to Reserve Fund	246.95	268.50	211.61	87.74	95.88
<i>Sinking Fund</i>	<i>240.00</i>	<i>240.00</i>	<i>200.00</i>	<i>70.00</i>	<i>70.00</i>
<i>Guarantee Redemption Funds</i>	<i>0.50</i>	<i>0.50</i>	<i>0.50</i>	<i>1.08</i>	<i>1.08</i>
<i>State share to SDRF/SDRMF</i>	<i>6.45</i>	<i>28.00</i>	<i>11.11</i>	<i>16.66</i>	<i>24.80</i>
Recoupment of Contingency Fund	0.00	0.00	0.00	0.00	0.00
Transfer of cess to reserve fund/ other body	0.00	0.00	0.00	19.30	84.97
Share contribution of CSS against the Central Fund Received	1,646.30	432.03	1,079.05	946.51	939.61
Payment of interest on the Balances of the interest -bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure-Interest payment	0.00	0.00	0.00	0.00	0.00
Total	1,893.25	700.53	1,290.66	1,053.55	1,120.46
As a percentage of Revenue Receipts					
Revenue Receipts	14,888.55	17,123.51	21,231.64	23,788.14	27,441.00
Salaries and Wages	40.46	35.77	31.89	31.85	20.04
Expenditure on Pensions	5.93	6.34	6.42	7.00	7.20
Interest Payments	4.13	4.39	3.66	3.51	3.13
Total	50.51	46.50	41.97	42.36	30.36

Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
Inflexible Expenditure					
Total	12.72	4.09	6.08	4.43	4.08
As a percentage of Revenue Expenditure					
Revenue Expenditure	12,218.73	13,087.50	15,846.64	17,417.67	20,564.35
Salaries and Wages	49.30	46.80	42.73	43.50	26.73
Expenditure on Pensions	7.22	8.29	8.60	9.56	9.60
Interest Payments	5.03	5.75	4.91	4.79	4.17
Total	61.55	60.84	56.23	57.85	40.51
Inflexible Expenditure					
Total	15.49	5.35	8.14	6.05	5.45
Total Expenditure	15,927.80	18,215.65	22,337.53	25,528.40	29,030.85
Non-Committed RE	4698.03	5124.72	6935.89	7342.00	12233.57
Non-Committed RE as a <i>percentage</i> of RE	38.45	39.16	43.77	42.15	59.49
Non-Committed RE as a <i>percentage</i> of TE	29.50	28.13	31.05	28.76	42.14
Subsidies	0.40	17.85	0.00	0.00	0.00
Subsidies as a <i>percentage</i> of Non-Committed expenditure	0.01	0.35	0.00	0.00	0.00

Source: Finance Accounts of the respective year

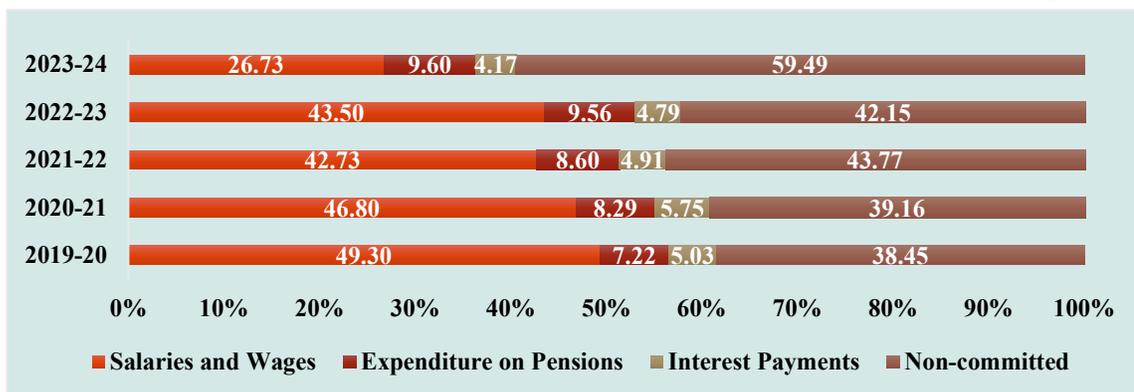
* Salaries and Wages includes allowances and LTC during 20219-20 to 2022-23 as there were no separate object heads, from the year 2023-24 all components have separate object heads

State Government had completely curbed the subsidies from 2021-22 and made no expenditure under this head in 2022-23 and 2023-24.

Committed expenditure increased by ₹810.08 crore (10.77 *per cent*) from ₹7,520.70 crore in 2019-20 to ₹8,330.78 crore in 2023-24. During the current year, Committed Expenditure decreased by ₹1,744.89 crore (17.32 *per cent*) over the previous year (₹10,075.67 crore.). This was due to decrease in the Expenditure on Salaries and Wages by ₹2,078.22 crore (27.43 *per cent*) which was offset by increased on Pensions by ₹309.94 crore (18.62 *per cent*) and on Interest payments by ₹23.39 crore (2.80 *per cent*). The relative share of Committed Expenditure in Revenue Receipts showed a decreasing trend (except for the year 2022-23) during the five-year period (2019-20 to 2023-24). During 2023-24, Committed Expenditure constituted about 30.36 *per cent* of the Revenue Receipts. The share of committed expenditure in Total Revenue Expenditure during the last five years are depicted in **Chart 2.12**.

Chart 2.12: Share of Committed expenditure in Revenue Expenditure

(In per cent)



Source: Finance Accounts of the respective year

The high share of the committed expenditure in the total RE is not favourable as Government could incurred less amount for economic development, social welfare schemes, and maintenance of assets.

Under the Revenue expenditure, the quantum of committed expenditure constitutes the largest share. The Committed expenditure has the first charge on the resources and consists of Interest payments, expenditures on Salaries and Wages and expenditure on Pensions. Committed expenditure hovered around 40.51 and 61.55 per cent of Revenue expenditure during 2019-20 and 2023-24.

As evident from the **Table 2.21** the relative share of committed expenditure to the Revenue expenditure had decreased to 40.51 per cent in 2023-24 from 61.55 per cent in 2019-20. Decrease in expenditure on Salaries and Wages has primarily helped the State to bring down its committed expenditure by 17.34 percentage points in 2023-24 over the previous year. Greater reliance on market borrowings by Government in recent years led to increase committed liabilities on Interest Payments.

The components of inflexible expenditure which includes among others Statutory devolution to local bodies and contributions to the Reserve Funds, showed an inconsistent trend during the period 2019-20 to 2023-24. As a percentage of the Revenue Expenditure, it decreased from 15.49 per cent in 2019-20 to 5.45 per cent in 2023-24. During 2023-24, the inflexible expenditure (₹1,120.46 crore), increased by ₹66.91 crore (6.35 per cent) over the previous year (₹1,053.55 crore) due to increase in Contribution to Reserve Fund (₹87.74 crore in 2022-23 to ₹95.88 crore in 2023-24) and Transfer of cess to reserve fund/ other body (₹19.30 crore in 2022-23 to ₹84.97 crore in 2023-24).

Taken together the committed and Inflexible expenditure in 2023-24 was ₹9,451.24 crore; 45.96 per cent of Revenue expenditure.

Component-wise analysis is given in the succeeding paragraphs.

2.5.3.1 Salaries and Wages

Salaries and Wages decreased by ₹526.03 crore (8.73 per cent) from ₹6,023.86 crore in 2019-20 to ₹5,497.83 crore in 2023-24. During 2023-24, the Salaries and Wages has been the prominent contributor in the Committed Expenditure as it alone accounted for 20.04 per cent of the Revenue Receipts and 26.73 per cent of the Revenue Expenditure.

As percentage of Revenue Receipts, it has been showing a decreasing trend while as percentage of Revenue Expenditure, it has a fluctuating trend for the past five-years (2019-20 to 2023-24). During the current year, the State Government succeeded to anchor the Salaries and Wages within the projection of ₹8,935.04 crore made in MTFP as the actual Salaries and Wages was ₹5,497.83 crore.

2.5.3.2 Interest Payments

Interest Payments comprise interest on Internal Debt, Small Savings, Provident Funds, Loans and Advances from GoI. Interest payments increased by ₹243.50 crore (39.62 per cent) from ₹614.53 crore in 2019-20 to ₹858.03 crore in 2023-24. The increase over the previous year was ₹23.39 crore (2.80 per cent). The position of the interest payments *vis-à-vis* XV FC recommendations and MTFP projections during the current year are given in the **Table 2.22**.

Table 2.22: Interest Payments in the year 2023-24

(₹ in crore)			
Year	XV FC assessment	Assessment of State Government in Budget (MTFP)	Actual
2023-24	920.00	891.86	858.03

Source: XV FC Report, Budget Documents and Finance Account, 2023-24

2.5.3.3 Pension Payments

The Pension Payments (including other Retirement Benefits) increased by ₹1,092.61 crore (123.84 per cent) from ₹882.31 crore in 2019-20 to ₹1,974.92 crore in 2023-24. During 2023-24, the pensions payments increased by ₹309.94 crore (18.62 per cent) over the previous year (₹1,664.98 crore). This was mainly due to the revision of pensions consequent to the implementation of Pay Revision Commission Report which recommended enhancement of pensions.

The position of the Pension Payments *vis-à-vis* XV FC recommendations and MTFP projections during the current year is given in the **Table 2.23**.

Table 2.23: Pension Payments in the year 2023-24

(₹ in crore)			
Year	XV FC assessment	Assessment of State Government in Budget (MTFP)	Actual
2023-24	1,347.00	2,540.00	1,974.92

Source: XV FC Report, Budget Documents and Finance Account, 2023-24

2.5.3.4 Undischarged liabilities in National Pension System

The GoI introduced a defined, contribution based National Pension System (NPS) to cover all new entrants to the Government service on 01 April 2004. The interim Pension Fund Regulatory and Development Authority (PFRDA) was established (October 2003) by GoI. The PFRDA, being regulator for NPS, had been authorised by the GoI to appoint/ establish various intermediaries in the system, such as Central Record Keeping Agency (CRA), Pension Funds Trust for NPS, Custodian Banks, etc. PFRDA appointed National Securities Depository Limited (NSDL) as the CRA for a period of 10 years from 01 December 2007 for performing the functions of record keeping, accounting, administration and customer services for subscribers to the schemes of pension funds approved by PFRDA. The system of CRA is being continued even after the stipulated initial period of 10 years and it would continue till it is surrendered by the State Government or suspended by the Authority. Further, three pension Fund Managers, a Custodian and a Trustee Bank have also been appointed.

Under NPS, the option to join new system was available to the State Governments. According to terms of the scheme (July 2022), the Government and employee has to contribute 10 *per cent* of his/ her monthly pay and the State Government has to make a contribution at the rate of 14 *per cent*. of basic pay and dearness allowance and the entire amount was to be transferred to the designated fund manager through NSDL/ Trustee Bank.

The Government of Arunachal Pradesh opted for NPS for its employees recruited on or after 01 January 2008. It was observed that the Government did not contribute its share regularly. The contributions received from both the Government and employees were to be initially credited to the Major Head 8342-117 under Deposit and Advances and thereafter to be transferred to NSDL/ Trustee Bank by debiting the same Major Head of Account. However, the State Government was not following the above accounting procedure (*i.e.*, passing the amounts through Public Account). Instead, the State Government adopted a method of routing the amounts through a current and a savings account (at SBI, Naharlagun and SBI, Itanagar respectively) outside the Government accounts.

There were 29,045 employees who were covered under NPS as on 31 August 2024 and out of them, the Permanent Retirement Account Number (PRAN) were issued to 28,404 employees. Total number of employees whose PRAN was not generated were 641. The PRAN of such subscribers were not generated due to non-receipt of Common Subscriber Registration Form (CSRFB) which is mandatory for opening of PRAN Account.

During the year 2023-24, total contribution to the NPS was ₹440.10 crore (Employees' contribution ₹169.37 crore, Government's contribution ₹270.22 crore and Interest ₹0.51 crore). The detailed information on government contribution is available in Statement No. 15 of the Finance Accounts under Major Head 2071-117. The contribution to the NPS is to be transferred to the Major Head 8342- other Deposits- 117- Defined Contribution Pension Scheme for Government Employees' and henceforth to be transferred to the NSDL/ Trustee Bank from this Major Head. This procedure has not been followed by the

State Government. The entire contribution of ₹439.64 crore was credited to the Saving and Current Bank Accounts opened in the name of ‘Director of Accounts and Treasuries’, Government of Arunachal Pradesh.

During the year 2023-24, ₹464.89 crore (Employees’ contribution ₹204.10 crore, Government’s contribution ₹259.95 crore, Interest ₹0.46 crore and Service Charges ₹0.38 crore) was transferred to the NSDL. As on 31 March 2024, total amount of ₹58.00 crore (Saving Account: ₹44.82 crore, Current Account: ₹6.79 crore and Public Account: ₹6.39 crore) remained to be transferred to NSDL. This had resulted in overstatement of cash balance of the Government by ₹6.39 crore.

While accepting the facts, the Director, Accounts & Treasuries, GoAP assured (03 April 2025) that the amount would be transferred to NSDL/ Trustee Bank at earliest. However, the reply is silent about the correctness of the accounting procedure.

2.5.4 Financial assistance by the State Government to Local Bodies and Other Institutions

The quantum of assistance provided by way of Grants and Loans to Local Bodies and others from 2019-20 to 2023-24 are presented in **Table 2.24**.

Table 2.24: Financial Assistance to Local Bodies and Other Institutions etc.

Financial Assistance to Institutions	2019-20	2020-21	2021-22	2022-23	2023-24
(A) Local Bodies					
Municipal Corporations and Municipalities	5.37	5.56	5.83	6.00	6.88
Panchayati Raj Institutions	0.00	116.23	109.51	19.52	83.47
Total (A)	5.37	121.79	115.34	25.52	90.35
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	0.00	0.00	1.22	1.30	0.95
Cultural Institutions/ Voluntary Organisations for promotion of Arts and Culture	0.00	0.00	0.00	0.00	0.00
State Institute of Rural Development	0.00	0.00	0.00	0.00	0.00
Social Welfare	0.00	0.00	0.00	0.00	0.00
Food, Storage and Warehousing	208.60	0.00	62.78	292.30	5.00
Co-operation	0.92	1.47	16.96	0.50	0.60
Other Institutions ⁷	23.36	16.26	23.58	21.84	22.47
Total (B)	232.88	17.73	104.54	315.94	29.02
(C) GIA					
GIA on Salary	598.51	548.82	670.97	785.93	733.77
GIA for creation of Capital Assets	112.47	39.83	375.64	547.44	541.01

⁷ Arunachal Pradesh Council of Science and Technology and Centres for Earth Sciences and Himalayan Studies

Financial Assistance to Institutions	2019-20	2020-21	2021-22	2022-23	2023-24
GIA for non-salary	621.06	1,594.71	1,515.81	1,736.89	1,898.81
GIA given in kind	0.00	0.00	0.00	0.00	0.00
Total (C)	1,332.04	2,183.36	2,562.42	3,070.26	3,173.59
Total (A+B+C)	1,570.29	2,322.88	2,782.30	3,411.72	3,292.96
Revenue Expenditure	12,218.73	13,087.50	15,846.64	17,417.67	20,564.35
Assistance as <i>percentage</i> of Revenue Expenditure	12.85	17.75	17.56	19.59	16.01

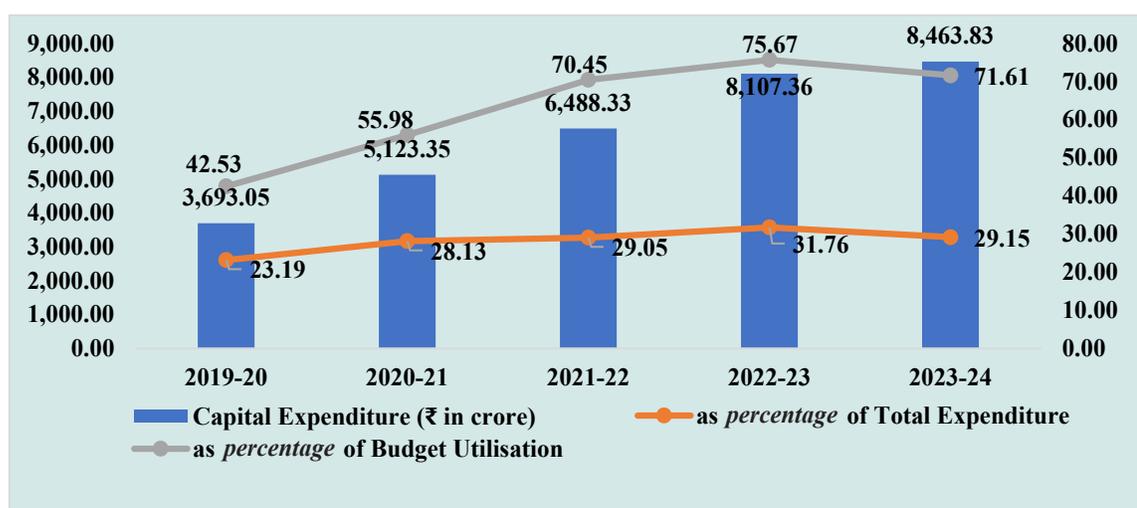
Source: Finance Accounts of the respective year

- The share of Financial Assistance in Revenue Expenditure increased from 12.85 *per cent* in 2019-20 to 16.01 *per cent* during 2023-24. No financial assistance was extended to rural local bodies from the State funds during the last five -years period.
- During the five years period from 2019-24, Financial assistance increased by ₹84.98 crore (1,582.49 *per cent*) was due to significant increased by ₹83.47 crore under ULB. Financial assistance extended to the Local Bodies in 2023-24 increased significantly by ₹64.83 crore (254.04 *per cent*) over the previous year (₹25.52 crore). This was due to the significant increase in assistance by ₹63.95 crore (327.61 *per cent*) to the Panchayati Raj Institutions (PRIs).
- The assistance to Other Institutions decreased by ₹0.89 crore during the five-years' period from 2019-20 to 2023-24. During 2023-24, the assistance to Other Institutions decreased by ₹286.92 crore (90.81 *per cent*) over the previous year (₹315.94 crore). This was due to a significant decrease in the financial assistance towards Food, Storage and Warehousing by ₹287.30 crore (98.29 *per cent*) from ₹292.30 crore in 2022-23 to ₹5.00 crore in 2023-24.
- The financial assistance as GIA increased by ₹1,841.55 crore (138.25 *per cent*) from ₹1,332.04 crore in 2019-20 to ₹3,173.59 crore in 2023-24. During 2023-24, GIA increased by ₹103.33 crore (3.37 *per cent*) over the previous year which was due to increase in GIA for non-salary by ₹161.92 crore (9.32 *per cent*).

2.5.5 Capital Expenditure

All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as capital expenditure. Capital expenditure in both Centre and State, is being met from budgetary support and extra budgetary resources/ off budget. It also includes investments made in Companies/ Corporations. Capital Expenditure increases the production capacity of the economy and is a key contributor to economic growth. Trends of Capital Expenditure in the State over the last five-years' period from 2019-20 to 2023-24 are given in **Chart 2.13**.

Chart 2.13: Trends of Capital Expenditure in the State



Source: Finance Accounts of the respective year

Chart 2.13 shows that the Capital Expenditure increased by ₹4,770.78 crore (129.18 per cent) from ₹3,693.05 crore in 2019-20 to ₹8,463.83 crore in 2023-24 with a CAGR of 23.40 per cent which was higher than the CAGR of Revenue Expenditure (13.90 per cent). This was due to the significant increase in Capital Expenditure under Economic Services by ₹2,395.16 crore (103.68 per cent), Social Services by ₹1,248 crore (172.19 per cent) and General Services by ₹1,127.30 crore (171.35 per cent). During 2023-24, Capital Expenditure increased by ₹356.47 crore (4.40 per cent) over the previous year (₹8,107.36 crore) which was due to a significant increase experienced in Social Services by ₹554.75 crore (39.11 per cent) and General Services by ₹140.02 crore (8.51 per cent) over the previous year which was partially offset by decrease in the Economic Services by ₹338.30 crore (6.71 per cent).

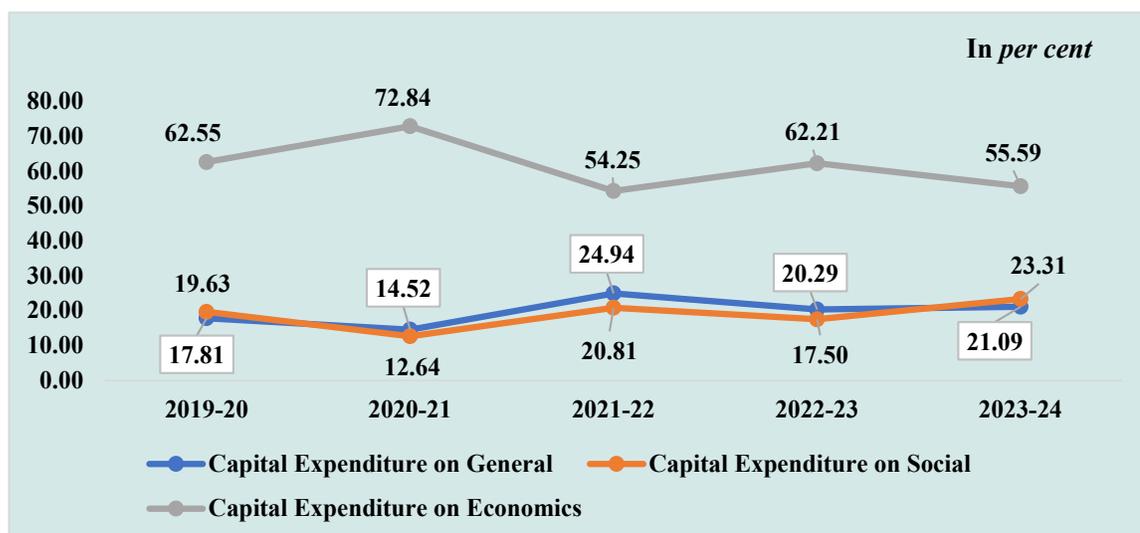
- Under Economic Services, the decreased in Capital Expenditure was due to decrease in Capital Expenditure under Roads and Bridges by ₹813.05 crore, Transport by ₹806.47 crore and Science, Technology and Environment by ₹85.77 crore. which was partially offset by increased of Capital Expenditure under Flood Control Projects by ₹246.57 crore and Minor Irrigation by ₹237.77 crore.
- Capital Expenditure was increased by ₹554.75 crore during 2023-24 under Social Services due to increase under General Education by ₹222.97 crore and Urban Development by ₹253.05 crore which was partially offset by decrease of ₹46.15 crore under Water Supply and Sanitation.

During the period from 2019-20 to 2022-23, *percentage* of the Capital Expenditure to Total Expenditure showed an increasing trend while Capital Expenditure decreased to 29.15 per cent during 2023-24. Similarly, utilisation of budget for Capital expenditure showed an increasing trend during 2019-20 to 2022-23 and decreased to 71.61 per cent during 2023-24. The State Government Spent ₹8,466.50 crore only on Capital Account. This was 29.16 and 19.25 per cent of Total Expenditure and GSDP respectively. During

2023-24, the Capital Expenditure was 224.20 *per cent* of Public debt receipts. Thus, borrowed funds were being used for capital creation/ development activities.

The Services wise *percentage* share in Capital Expenditure is given in **Chart 2.14**.

Chart 2.14: Services wise *percentage* share in Capital Expenditure for the period 2019-24



Source: Finance Accounts of respective year

The major contributor in Capital Expenditure during the last five-year period was economic services. There was an inter-year variance from 2019-20 to 2023-24. During 2023-24 it reduced to 55.59 *per cent* from 62.21 *per cent* in 2022-23 with a significant decrease in Capital Expenditure. The share of Social and General Services in Capital Expenditure showed fluctuating trends during the past five-year periods. High share of Economic and Social Sectors in Capital Outlays boosted the Economy growth of the State and improved the quality of Social Services.

While Arunachal Pradesh has significantly increased its Capital Expenditure, the quality of investments, declining social sector spending, and lack of financial transparency pose fiscal risks. The state must ensure efficient fund allocation, prevent wasteful investments, and improve monitoring mechanisms in order to maximise the long-term impact of its infrastructure-driven growth strategy.

2.5.5.1 Major Changes in Capital Outlay

As there was increase of ₹356.47 crore in Capital Outlay during the current year over the previous year, **Table 2.25** highlights the cases of significant increase of over 25 *per cent* in various Heads of Account in Capital Outlay during 2023-24 *vis-à-vis* the previous year.

Table 2.25: Capital Outlay during 2023-24 compared to 2022-23

₹ in crore)

Major Heads of Accounts	2022-23	2023-24	Variation
4055-Capital Outlay on Police	154.44	192.38	37.94
4059-Capital Outlay on Public Works Department	532.92	882.95	350.03
4070-Capital Outlay on Other Administrative Services	957.39	695.18	(-) 262.21
4202-Capital Outlay on Education, Sports, Art and Culture	285.80	587.05	301.25
4216-Capital Outlay on Housing	53.62	94.75	41.13
4217-Capital Outlay on Urban Development	379.12	632.17	253.05
4552-Capital Outlay on North Eastern Areas	26.80	1.22	(-) 25.58
4575-Capital Outlay on other Special Areas Programmes	44.17	76.42	32.25
4702-Capital Outlay on Minor Irrigation	22.39	260.16	237.77
4851-Capital Outlay on Village and Small Industries	26.35	132.99	106.64

Source: Finance Accounts of the respective year

Analysis of the reasons for changes in Capital Outlay amounting to ₹25.00 crore and above during 2023-24 over previous year:

- Capital Outlay under North Eastern Areas was decreased by ₹25.58 crore (95.46 per cent). This was due to decrease in Capital Outlay on General by ₹0.88 crore, Sports Stadium by ₹2.10 crore, Tourist Centre by ₹11.76 crore and Road Works by ₹5.40 crore which was partially offset by increased under Community Health Centres by ₹1.14 crore.
- Capital Outlay increased by ₹350.03 crore (65.58 per cent) over the previous year under Public Works Department. This was due to increase in Capital Outlay under Construction by ₹315.83 crore which was partially offset by decreased under Schemes of NLCPR by ₹1.76 crore.
- Education, Sports, Art and Culture had an increase in Capital Outlay by ₹301.25 crore (105.40 per cent) over the previous year due to a significant increase under Secondary Education by ₹216.33 crore, University and Higher Education by ₹44.00 crore and Sports Stadium by ₹27.88 crore which was offset by a decrease in Capital Outlay under Elementary Education by ₹36.49 crore and Tribal Area Sub-Plan by ₹2.75 crore.
- There was an increase in Capital Outlay under Housing by ₹41.13 crore (76.71 per cent) over the previous year due to increase under General Pool Accommodation by ₹40.59 crore (76 per cent) and Direction and Administration by ₹0.55 crore (100 per cent).
- During 2023-24, Capital Outlay on Urban Development increased by ₹253.05 crore (66.75 per cent) from ₹379.12 crore in 2022-23 to ₹632.17 crore in 2023-24 which was due to an increase in expenditure under 4217-01-800-03-051-Construction by ₹239.37 crore and 4217-01-800-60-051-Construction by ₹13.37 crore.

- There was an increase in Capital Outlay under Other Special Areas Programmes by ₹32.25 crore (73.00 per cent) from ₹44.17 crore in 2022-23 to ₹76.42 crore in 2023-24. This was due to an increase in Capital Outlay under Tribal Area Sub-Plan by ₹30.87 crore (68 per cent).
- Capital Outlay on Minor Irrigation significant increased by ₹237.77 crore (1,061.81 per cent) from ₹22.39 crore in 2022-23 to ₹260.16 crore in 2023-24. This was due to an increase in Capital Outlay under Surface Water by ₹102.40 crore (457.27 per cent) and Tribal Area Sub-Plan by ₹135.08 crore (100 per cent).
- Capital Outlay on Village and Small Industries increased by ₹106.64 crore (404.66 per cent) over the previous year. This was mainly due to an increase in Capital Outlay on Small Scale Industries by ₹86.31 crore (366 per cent) and Handicraft Industries by ₹20.34 crore (741 per cent).

Analysis of data pertaining to 2019-24 revealed that Major Capital Outlays occurred on the following components under Social and Economic Services as depicted in **Table 2.26**.

Table 2.26: Major Contributors of Capital Expenditure under Social and Economic Services during 2019-24

(₹ in crore)					
Head of Accounts	2019-20	2020-21	2021-22	2022-23	2023-24
Social Services					
Education, Sports, Art and Culture	59.36	51.23	281.09	285.8	587.05
Medical and Public Health	59.08	10.61	24.83	97.46	91.56
Water Supply and Sanitation	253.08	224.55	330.45	430.35	384.2
Urban Development	128.93	104.94	359.97	379.12	632.17
Social Security and Welfare	158.43	219.29	315.26	152.82	160.08
Economic Services					
Irrigation and Flood Control	133.72	171.34	147.76	334.62	581.19
Energy	173.36	172.7	430.69	543.94	664.49
Transport	1,848.16	3,166.97	2,677.89	3,817.01	3,010.55

Source: Finance Account of the respective year

As can be seen from **Table 2.26** Capital outlay of Urban Development and Education, Sports, Arts and Culture were the major contributors during 2023-24 and Medical and Public Health was the least contributor under Social Services. Similarly, Capital Account of Transport was the major contributor during 2023-24 and Capital Account of Irrigation and Flood Control was the least contributor under Economic Services.

2.6 Quality of Capital Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of expenditure which basically involves three aspects - adequacy (adequate provisions for providing public services); efficiency of expenditure and effectiveness (assessment of outlay-outcome relationships for select services). While assessment of the outlay and establishment of outcome relationships for many of the services is

being done at the budget stage, the actual expenditure during the year fell short of the allocations made in the budget. The State Government had prepared the Outcome budget based on the expected outcomes identified in 26 departments. However, the actual achievement of the scheme objectives of 2022-23 were not included in the outcome budget for 2023-24. This resulted in unrealistic preparation of Outcome Budget for the year 2023-24.

2.6.1 State Public Sector Enterprises (SPSEs)

The State Government needs to initiate measures to earn adequate return on its investments rather than bearing the same in the form of subsidy at the cost of borrowed funds and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other Capital expenditure undertaken by the Government during the period 2019-20 to 2023-24.

Investments in SPSES

The State's investment in SPSEs was by way of share capital/loans and special financial support by way of grants/subsidies as and when required.

During the last five years from 2019-20 to 2023-24, the investment of the State Government in the form of Equity capital in six SPSEs remained constant whereas one SPSEs namely Arunachal Pradesh Mineral Development and Trading Corporation Limited (APMDTCL) received ₹2.52 crore towards Equity Capital during the year 2023-24. The total investment of State Government in its SPSEs as on 31 March 2024 was ₹30.24 crore⁸ as per details given in **Table 2.27**.

Table 2.27: Comparative figures of State's investment in SPSEs during 2019-20 and 2023-24

	(₹ in crore)	
Form of investment	2019-20	2023-24
Equity Capital	19.49	22.01
Long term Loans	8.38	8.23
Total	27.87	30.24

Source: Investment figures as provided by the SPSEs

Return on Investment

The Rate of Real Return (RORR) measures the profitability and efficiency of an entity with which equity and similar non-interest-bearing capital have been deployed, after adjusting them for their time value. To determine the RORR, the investment of State Government in the form of equity, interest free loans and revenue grants/subsidies in the SPSEs for operational and management expenses *less* disinvestments (if any), has been considered and indexed to their Present Value (PV) and summated. The RORR is then calculated

⁸ Investment figures are provisional and as per the information provided by the SPSEs as none of the seven SPSEs had finalised their accounts for 2023-24 as of 30 September 2024

by dividing the 'Profit After Tax' (PAT) earned by SPSEs by the sum of the PV of the investment.

During 2023-24, out of six working SPSEs, two SPSEs earned profit (₹4.04 crore), while the remaining four SPSEs incurred loss (₹2.57 crore) as per their latest finalised accounts. Based on the historical value of investment, the Return for 2023-24 on State Government investment worked out to (+) 1.38 per cent as against the RORR of (+) 0.56 per cent on the investment at present value. The difference in the percentage of return was on account of the adjustment made in the investment amount for the time value of money.

Investment in loss making SPSEs

The paid-up capital and accumulated profit/ loss of six working SPSEs as per their latest finalised accounts as on 30 September 2024 were ₹24.65 crore and (-)₹3.31 crore respectively.

The Return on Equity⁹ (RoE) in respect of two out of six working SPSEs was 11.07 per cent and 14.71 per cent while two SPSEs had negative RoE and RoE remaining two SPSEs was not workable as per their latest finalised accounts. The accumulated losses (₹36.57 crore) of three working SPSEs had completely eroded their capital (₹7.68 crore) as per their latest finalised accounts. The details of erosion of paid-up capital of the said three SPSEs are shown in **Table 2.28**.

Table 2.28: SPSEs with primary erosion of paid-up capital as on 30 September 2024

(₹ in crore)

Name of SPSE	Latest finalised accounts	Paid-up capital	Accumulated losses
Arunachal Pradesh Industrial Development and Financial Corporation Limited	2021-22	4.20	28.23
Arunachal Pradesh Donyi Polo Hotel Corporation Limited	2020-21	1.00	4.56
Arunachal Pradesh Mineral Development & Trading Corporation Limited	2006-07	2.48	3.78
Total		7.68	36.57

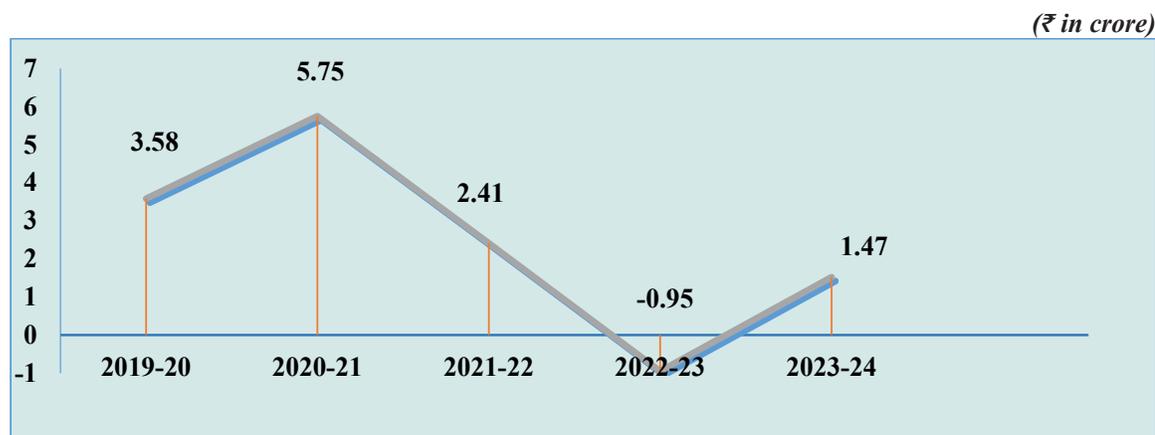
Source: Latest finalised accounts of the SPSE

The audit analysis of State's investments in Public Sector Undertakings (PSUs) and other bodies for 2023-24 highlights serious concerns regarding the sustainability and financial viability of these investments. The erosion of net worth, low returns on investment, and continued losses in state-owned enterprises indicate inefficient capital allocation and potential fiscal risks. The State Government's continued investment in loss-making PSUs with negative net worth represents a significant fiscal risk.

⁹ ROE = (Net Profit after taxes *minus* preference dividend) ÷ Shareholders' Fund; where, Shareholders' Fund = Paid up Share Capital *plus* Free Reserves and Surplus *minus* Accumulated Loss *minus* Deferred Revenue Expenditure

The overall position of the net profits/losses earned by working SPSEs during 2019-20 to 2023-24 as per their latest finalised accounts is depicted in **Chart 2.15**.

Chart 2.15: Profit of working SPSEs



Source: Compiled based on latest finalised accounts of SPSEs

During 2023-24, overall profit of SPSEs was ₹1.47 crore as compared to the losses in the previous year of ₹ (-)0.95 crore (2022-23). The major contribution of profit was from two SPSEs which earned profit of ₹4.04 crore, while the remaining four SPSEs incurred an overall loss of ₹2.57 crore. The details of major contributors to profits and losses of working SPSEs are shown in **Table 2.29**.

Table 2.29: Major contributors to profits and losses of working SPSEs

(₹ in crore)

Name of SPSE	Latest finalised accounts	Profit (+)/ loss (-)
Arunachal Police Housing and Welfare Corporation Limited	2021-22	(+) 3.45
Arunachal Pradesh Donyi Polo Hotel Corporation Limited	2020-21	(-) 1.14

Source: Latest finalised Accounts of working SPSEs

The State Government has not formulated any dividend policy to make it mandatory for SPSEs to pay a minimum return on the paid-up equity share capital contributed by the State Government. The SPSE (Arunachal Police Housing and Welfare Corporation Limited), which earned profit (₹3.45 crore) during 2023-24, had not declared any dividend.

2.6.2 Capital locked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works also indicates quality of capital expenditure. Blocking of funds on incomplete projects/ works impinges negatively on the quality of Capital Outlay and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years proved futile and the State had to share the extra burden in terms of servicing debt and interest liabilities.

As per Appendix IX of Finance Accounts of the State for the year 2023-24, there were 83 incomplete/ ongoing projects in two Departments as on 31 March 2024. Age profile of incomplete projects based on the year of sanction/ year of start of these projects as on

31 March 2024 are shown in **Tables 2.30** and **2.31**.

Table 2.30: Age profile of incomplete projects as on 31 March 2024
(₹ in crore)

Year	Number	Estimated cost	Expenditure
2008-09	1	166.16	0.00
2011-12	1	18.23	0.00
2013-14	1	10.00	10.00
2014-15	1	18.40	0.24
2016-17	3	198.63	17.43
2017-18	2	31.60	2.02
2018-19	5	114.77	30.65
2019-20	18	386.33	101.36
2020-21	9	157.48	27.38
2021-22	16	285.53	71.08
2022-23	22	347.57	98.22
2023-24	4	52.00	6.90
Total	83	1,786.70	365.29

Source: Finance Accounts, 2023-24

Table 2.31: Department-wise profile of incomplete projects as on 31 March 2024
(₹ in crore)

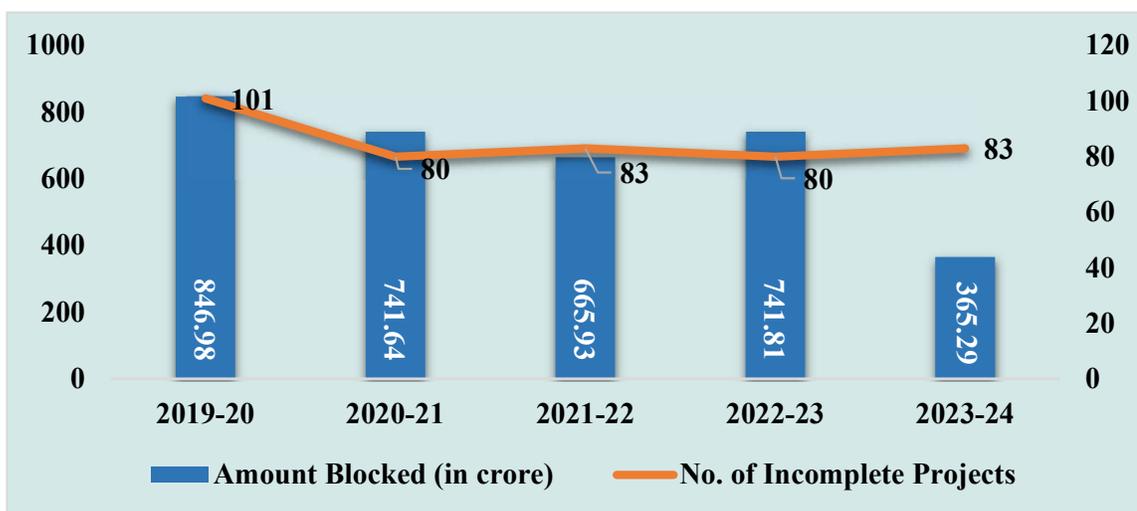
Department	No of incomplete projects	Estimated cost	Expenditure
PWD	79	1,729.94	349.29
UD and H	4	56.76	16.00
Total	83	1,786.70	365.29

Source: Finance Accounts, 2023-24

The expenditure of ₹365.29 crore incurred on 83 incomplete projects was yet to yield the intended benefits. Out of 83 incomplete projects, 14 projects on which expenditure of ₹60.34 crore (Estimated cost: ₹557.79 crore) had been incurred pertained to the period prior to the year 2019-20.

The State Government does not have a comprehensive list of capital projects taken up in the past having relevant information such as status of these projects, details of time and cost over run in the execution of these projects and approved cost and revised cost of completing these projects. In the absence of a comprehensive database of incomplete projects, information was sought for from the implementing departments. Based on the information furnished (April to July 2024) by the implementing agencies it was seen that 83 projects on which an expenditure of ₹365.29 crore was incurred, remained incomplete and the resources required for completing these works were not made available. The year-wise detail of incomplete projects is shown in the **Chart 2.16**.

Chart 2.16: Year-wise details of incomplete projects



Source: Finance Accounts of the respective year

It can be seen from the Chart above, the incomplete projects were almost at par during the five years' period. Thus, the initiative of the State Government was not prudent to complete these projects. While the Government took up execution of new works during the current year. Thus, available resources were thinly spread over an extended number of works. Time over run of the infrastructure projects also have the inherent risk of cost over runs.

A details analysis of a randomly selected incomplete project, “**Construction of District Secretariat at Boleng, Siang District**”.

- Sanctioned on 26 August 2021
- Target date of completion: March 2024.
- Estimated cost: ₹12.50 crore (Sh: One Block of 3200 Ph-I)' under BE 2021-22.
- Status as of March 2024 (as per Finance Accounts): Physical progress (50 per cent); financial progress (50 per cent, ₹6.20 crore).

The work was awarded (25 February 2022) to a firm “M/s Agam Construction” at a cost of ₹12.37 crore within stipulated to complete the work on 27 February 2024.

A Joint Physical Verification conducted by Audit and Engineer (JE) of the Department on 04 March 2023 and found that the foundation; erection of columns was completed and erection of beams and stairs were under-construction as depicted in the Photographs as shown below.



Source: Inspection Report on Urban Development and Housing, Boleng

The Commissioner, Finance Department, GoAP in its reply (03 April 2025) stated that the matter would be looked into.

2.6.3 Expenditure priorities

It is important for the State Government to take appropriate expenditure rationalisation by focusing more on Development Expenditure which is expenditure on Social and Economic Services. Apart from improving the allocation towards development expenditure, the efficiency of expenditure use is also reflected by the ratio of Capital Outlay to Total Expenditure and the proportion of Revenue Expenditure being spent on Education and Health Sectors. The higher the ratio of these components to the Total Expenditure, better the quality of expenditure.

Table 2.32 compares the fiscal priority of the State Government with that of NE&H States with regard to Total Expenditure (TE), Capital Expenditure (CE) on Education and Health during 2023-24, taking 2019-20 as the base year.

Table 2.32: Fiscal Priority of the State Government

Fiscal Priority of the State	TE/GSDP	DE/TE	SSE/TE	ESE/TE	CE/TE	Education/TE	Health and FW/TE
NE&H States 2019-20	26.21	64.22	35.50	28.72	14.94	17.08	6.37
Arunachal Pradesh 2019-20	53.05	71.80	31.27	40.54	23.19	11.21	10.29
NE&H States 2023-24	25.19	63.05	37.02	25.52	17.61	15.93	6.43
Arunachal Pradesh 2023-24	65.99	73.91	29.54	44.36	29.15	10.29	5.80

Source: Finance Accounts of the respective year

TE: Total Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure.

Development expenditure includes Development Revenue Expenditure, Development Capital expenditure and Development Loans and Advances Disbursed.

- Development expenditure consists of Expenditure on Social Services and Economic Services which contributes to development of State socially and economically. During the current year, the relative share of Development expenditure to TE increased over the base year (2019-20). On comparing with NE&H States, the relative share of Development expenditure to TE of the State in 2023-24 was higher by 10.86 percentage points.
- The Expenditure on Human Capital Formation is measured by expenditure on Education and Health. During the current year, the relative share of expenditure on Education and Health to the TE of the State has declined against the base year (2019-20). In this direction, State should focus on increasing the expenditure on Education and Health in proportion to Total Expenditure to reap the fruits of the demographic dividend.

The audit analysis of Arunachal Pradesh's fiscal priorities in Education, Health, and compared to the North Eastern & Himalayan (NE&H) States' average for 2019-20 and 2023-24 highlights inadequate social sector funding, improved capital expenditure

allocation, and the need for greater investment in human capital formation. Arunachal Pradesh has improved its Capital Expenditure but continues to underfund critical social sectors, particularly Education and Health. The declining share of health spending and below-average education expenditure highlight a misalignment in fiscal priorities.

2.6.4 Object head-wise expenditure

Finance Accounts of a state depict transactions only up to the Minor Head level. The Government Accounting Rules provide for recording of the expenditure up to the object head level. Therefore, an attempt has been made to ascertain the extent of expenditure incurred on the actual items at the Object Head Level from the accounts data maintained in the Accounts wing of the office of Principal Accountant General, Arunachal Pradesh. The details of items with significant *percentage* of expenditure are given in **Table 2.33**.

Table 2.33: Object Head wise expenditure

Object Head	(In per cent)		
	2021-22	2022-23	2023-24
Salary and Wages*	26.88	26.04	24.54
Pension/ Gratuity	6.00	6.38	6.67
Medical Treatment	0.03	0.05	0.03
Office Expenses	1.51	1.25	1.38
Materials and Supplies	0.56	0.38	0.26
Minor Works	7.31	5.34	10.01
GIA	9.64	9.67	8.89
GIA (Creation of Assets)	1.66	2.10	1.83
Scholarship and Stipends	0.98	0.89	0.57
Interest	3.43	3.20	2.90
Other Charges	10.73	9.84	10.50
Motor Vehicles	0.65	0.15	0.17
Major Works			0.00
Other Capital Expenditure			1.45
Building and Structure	28.00	31.00	9.57
Infrastructural Assets			17.92
Other Fix Assets			0.52
Repayment of Borrowings	-	-	1.91
Others	2.81	4.45	2.72

Source: Finance Account of the respective year * Salaries and wages includes LTC and allowances

The analysis of the above Table reveals the following:

- With respect to the expenditure under Other Charges, the details of the items on which the expenditure was incurred are not recorded in accounts. This has serious implications for the decision making and affects the transparency in accounting. In 2023-24, the expenditure on Other Charges constituted 10.50 *per cent* of the total expenditure which needs to be properly classified.
- The ratio of Infrastructural Assets during 2023-24 to the Total expenditure was 28.94 *per cent*. This had indicated that the State Government focused towards infrastructure development of the State.

2.6.5 Loans and Advances disbursed by State Government

In addition to the investments in co-operative societies, corporations and companies (PSU), the State Government has also been providing loans and advances to many of the institutions/ Organisations in the state. **Table 2.34** presents the position outstanding loans and advances as on 31 March 2024 along with the interest receipts *vis-à-vis* interest payments during the five-year period from 2019-20 to 2023-24.

Table 2.34: Quantum of loans disbursed and recovered during five-years.

(₹ in crore)					
Loans disbursed and recovered	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Balance of loans outstanding	88.00	96.99	95.85	91.56	90.07
Amount advanced during the year	16.02	4.80	2.56	3.37	2.67
Amount recovered during the year	7.03	5.94	6.85	4.86	5.97
Closing Balance of the loans outstanding	96.99	95.85	91.56	90.07	86.78
Net addition	8.99	(-) 1.14	(-) 4.29	(-)1.49	(-) 3.29

Source: Finance Accounts of the respective year

During 2023-24, amount of ₹2.67 crore was advanced as loans against ₹3.37 crore during the previous year. Out of ₹2.67 crore, ₹1.10 crore was advanced to Co-operation and ₹1.57 crore was advanced to Government servants. During the current year, an amount of ₹5.97 crore was recovered which was ₹1.11 crore more than the previous year (₹4.86 crore). Out of total ₹5.97 crore, ₹3.31 crore was recovered from Government Servants and ₹2.66 crore from Co-operation.

The Total loans advanced by the State Government decreased by ₹10.21 crore from ₹96.99 crore in 2019-20 to ₹86.78 crore in 2023-24. Out of ₹86.78 crore, ₹57.40 crore was extended to the Co-operation, ₹10.00 crore to the Power projects, ₹6.10 crore to Loans for Other Industries and Mineral, ₹10.12 crore to Government Servants and ₹3.16 crore to others¹⁰.

Pendency in the recovery of Loans and Advances disbursed by the State Government

Finance Accounts of Arunachal Pradesh for the year 2023-24 showed that the outstanding balance of loans and advances to be recovered by the State Government from the Department was ₹76.66 crore (₹1.01 crore under Social Services and ₹75.65 crore under Economic services) as on 31 March 2024, out of ₹76.66 crore, there was a pendency in recovery of ₹39.26 crore under nine Major heads for a prolonged period. Details of pendency of recoveries are given in **Table 2.35**.

¹⁰ Urban Development, Village and Small Industries etc.

Table 2.35: Details of pendency of recovers of Loans and advances

Classification	Year from which recoveries are not affected	Balance as of 31 March 2024
(A) SOCIAL SERVICES		
Loans for Education, Sports, Art and Culture	2009-10	0.01
Loans for Urban Development	2017-18	1.00
Total (A)		1.01
(B) ECONOMIC SERVICES		
Loans for Crop Husbandry	2009-10	0.10
Loans for Soil and Water Conservation	2009-10	0.01
Loans to Public Sector and Other Undertakings	2009-10	20.00
Loans to Power Projects	2010-11	10.00
Loans to Village and Small Industries	2013-14	1.89
Loans to Non-ferrous Mining and Metallurgical	2009-10	0.15
Loans for other Industries and Minerals	2009-10	6.10
Total (B)		38.25
Grand Total (A + B)		39.26

Source: Finance Accounts of the respective year

It can be seen from the Table above, out of ₹39.26 crore, ₹26.37 crore pertains to 2009-10 i.e. more than 14 years whose recoveries were not reflected in the accounts.

The State Government needs to take appropriate steps to recover the pending loans and advances from the concerned Government Departments.

The Commissioner, Finance Department, GoAP in its reply (03 April 2025) stated that the matter would be looked into.

2.7 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances, etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution. These are not subject to vote by the State Legislature. The Government acts as a banker in respect of the Public Account. The balance after disbursements during 2023-24 is the fund available with the Government for use for various purposes.

2.7.1 Net Public Account Balances

Component-wise net balances in Public Account of the State as of end of 31 March 2024 are in **Table 2.36**.

Table 2.36: Component-wise net balances in Public Accounts as of 31 March 2024

(₹ in crore)

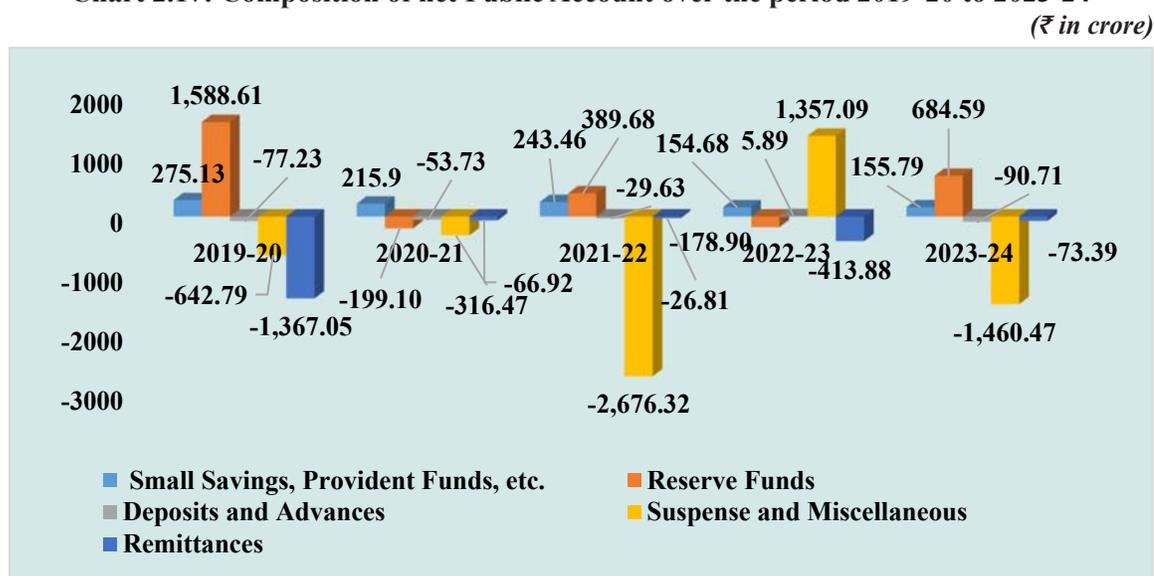
Sector	Sub Sector	2019-20	2020-21	2021-22	2022-23	2023-24
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	275.13	215.90	243.46	154.68	155.79
J. Reserve Funds	(a) Reserve Funds bearing Interest	1,588.61	(-)199.10	389.68	(-)178.90	684.59
	(b) Reserve Funds not bearing Interest	0.00	0.00	0.00	0.00	0.00
K. Deposits and Advances	(a) Deposits bearing Interest	(-)13.95	(-)7.15	1.57	5.37	4.43
	(b) Deposits not bearing Interest	(-)61.31	(-)41.64	(-)36.27	0.39	(-)90.98
	(c) Advances	(-)1.97	(-)4.94	5.07	0.13	(-)4.16
L. Suspense and Miscellaneous	(a) Suspense	(-)2,678.97	(-)31.58	17.90	(-)5.65	24.29
	(b) Other Accounts	2,036.18	(-)284.89	(-)2,694.22	1,362.74	(-)1484.76
M. Remittances	(a) Money Orders, and other Remittances	(-)1,367.06	(-)66.87	(-)26.81	(-)413.89	(-)73.36
	(b) Inter- Governmental Adjustment Account	0.01	(-)0.05	0.00	0.01	(-)0.03
Total		(-)223.33	(-)420.32	(-)2099.62	924.88	(-)784.19

Source: Finance Accounts of the respective year

Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balance under these heads, is worked out by aggregating the outstanding debit and credit balances separately under the various heads. The Outstanding net balances under Suspense and Remittance during 2022-23 and 2023-24 were ₹1,574.06 crore (Debit) and ₹1,613.15 crore (Debit) respectively.

Non-clearance of outstanding balances under these heads affects the accuracy of Receipt/ Expenditure figures and balances under different heads of Accounts. The yearly changes in composition of balances in Public Account over the five-year period 2019-20 to 2023-24 are given in **Chart 2.17**.

Chart 2.17: Composition of net Public Account over the period 2019-20 to 2023-24



Source: Finance Accounts of respective year

2.8 Transaction under Reserve Funds

Reserve funds are created for specific and defined purposes under Public account of the State Government. These funds are met from contributions or grants from the Consolidated Fund or from outside agencies. It comprises interest bearing reserve funds and reserve funds not bearing interest.

Details of Reserve Funds available in Statements 21 and 22. The total Outstanding Public Liabilities as on 31 March 2024 was ₹19,610.17 crore. This includes the balance of Reserve Funds of ₹2,287.93 crore. Out of this, ₹2,287.80 crore was under Reserve Funds bearing interest and ₹0.13 crore under Reserve funds not bearing interest. With regards to Reserve funds bearing interest, ₹2,162.40 crore was under State Compensatory Afforestation Fund (SCAF) and ₹125.40 crore under State Disaster Response Fund (SDRF). The status of Reserve Funds *viz.*, State Disaster Response Fund (SDRF), State Compensatory Afforestation Fund (SCAF), Consolidated Sinking Fund and Guarantee Redemption Fund are discussed in subsequent paragraphs.

2.8.1 State Disaster Response Fund

The GoI replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 01 April 2010.

State Disaster Response Fund (SDRF) was set up by the Government in 2010-11 with prescribed contribution of funds from GoI and the State Government in the ratio of 90:10.

As per the guidelines on Constitution and Administration of SDRF (September 2010), the SDRF Fund would be constituted in the Public Account under Reserve Fund bearing interest, under MH 8121 in the accounts of the State Government. The State Government shall take the amount as receipts in its budget and account it under MH 1601-01-109. In order to enable transfer of the total amount of the contribution to the fund, including the State share, the State Government would make suitable budget provision on the expenditure side of the budget under MH 2245-05-101 (Relief on account of natural calamities). Immediately upon receipt of GoI share, the State would transfer the amount, along with its share to the Public Account head (MH 8121-122). The actual expenditure on relief works will be booked only under respective Minor Head under MH 2245 and the expenditure to be charged to the SDRF will be shown as a negative entry under 2245-05-901. Direct expenditure should not be made from the Public Account.

The state governments are required to pay interest to the SDRF at the rate applicable to overdrafts under Overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half yearly basis. The accretions to the SDRF together with the income earned in the investment of SDRF is to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

The SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of a disaster and the provision for disaster preparedness, restoration,

reconstruction and mitigation should not be a part of SDRF. Such expenditure has to be built into the normal Budgetary Heads/ State Plan Funds, etc.

During 2023-24, State Government received ₹220.80 crore as Central Government's share. The State Government transferred ₹245.60 crore (Central share ₹220.80 crore and State share ₹24.80 crore) to Fund under Public Accounts.

During 2023-24, Department incurred ₹332.33 crore on Natural Calamities (Floods, Cyclones, etc.). Out of these amount, State Government incurred an expenditure of ₹122.80 crore through public Accounts. The remaining amount of ₹209.53 crore was expended directly without transferring the fund to Public Accounts in contradiction of the guidelines on Constitution and Administration of SDRF. As on 31 March 2024, closing balance was ₹125.41 crore. Further, the State had not received any fund from the Central Government towards National Disaster Response Funds (NDRF).

Details of expenditure charged to SDRF during 2023-24 are given in **Table 2.37**.

Table 2.37: Details of expenditure charged to SDRF during 2023-24

Head of the Accounts and Name	Amount (₹ in crore)
101-Gratuitous Relief	37.21
102-Drinking Water Supply	0.14
105-Veterinary Care	32.47
106-Repairs and Restoration of Roads and Bridges	47.00
109-Repairs and Restoration of damaged Water Supply, drainage and Sewerage works	22.00
110-Assistance for repairs and restoration of damaged Water Supply, drainage and Sewerage works	23.00
111-Ex-gratia payments to bereaved families	0.15
112-Evacuation of population	2.20
113-Assistance for repairs/reconstruction of Houses	12.51
114-Assistance to Farmers to for purchase of Agricultural Inputs	85.38
115-Assistance to farmers to clear sand/silt/salinity from lands	4.15
118-Assistance for repairs/replacement of damaged boats and equipment for fishing	0.31
119-Assistance to Artisans for repairs/replacement of damaged tools and equipment	5.46
122-Repairs and Restoration of damaged irrigation and flood control works	56.60
193-Assistance to Local bodies and other non-Government Bodies/Institutions	0.73
282-Public Health	2.80
800-Other Expenditure	0.22
Total	332.33
Expenditure charged to SDRF in violation of SDRF guidelines	295.12

Source: Finance Account, 2023-24

As per the SDRF guidelines, only the amount booked under 2245-02-101 is admissible expenditure to be met from SDRF. Hence, expenditure of ₹295.12 crore, out of ₹332.33 crore, met from SDRF was in contravention of the guidelines.

The Commissioner, Finance Department, GoAP in its reply (03 April 2025) stated that the matter would be taken up with the concerned department.

2.8.2 State Compensatory Afforestation Fund

In compliance with the instructions issued by the Ministry of Environment, Forests and Climate Change, Government of India, the state governments are required to establish the State Compensatory Afforestation Fund (SCAF) under interest bearing section in Public Account of the State for amounts received from user agencies for undertaking Compensatory Afforestation.

The monies received by the State Governments from the user agencies need to be credited in 'State Compensatory Afforestation Deposits' under interest bearing section in Public Account of the State at Minor head level below the Major Head 8336- Civil Deposits. As per Section 3(4) of the Compensatory Afforestation Fund Act, 2016, 90 *per cent* of the fund needs to be transferred to the Major Head 8121-General and Other Reserve Funds in Public Account of State and balance 10 *per cent* to be credited into the National Fund on yearly basis provided that, the credit of 10 *per cent* Central share of funds should be ensured on monthly basis so that the same is transferred to the National Fund.

During the year 2023-24, the State Government received no amount from the user agencies and no transfer was made to the National Fund. However, the State Government received ₹509.97 crore (Nil amount in previous year) directly from the National Compensatory Afforestation Deposit as 90 *per cent* of total deposits received from the user agencies between 01 April 2020 to 31 March 2022, which was in contravention of procedure prescribed in the Act. Further, an amount of ₹235.13 crore was also received in the Fund as deposits by the State Government being unspent amount from the State CAMPA Accounts maintained in Banks.

Budget provision of ₹11.27 crore was kept under '2406 Forestry and Wildlife-04 Afforestation and Ecology Development-103 State Compensatory Afforestation (SCA)' and Budget provision of ₹179.83 crore was made under Capital section of Accounts under 4406-01-101 Forest Conservation, Development and Regeneration. An expenditure of ₹183.31 crore (₹9.77 crore under 2406 and 173.54 crore under 4406) was incurred during the year 2023-24 and no amount was invested during the year. The balance in the State Compensatory Afforestation Fund as on 31 March 2024 was ₹2,162.40 crore.

2.8.3 Consolidated Sinking Fund

The State Government has set up a 'Consolidated Sinking Fund' (CSF) in 2007 in line with recommendations of the XII Finance Commission with the objective to redeem its outstanding liabilities. According to the guidelines of RBI, which is responsible for management of the Fund, State Government is required to contribute a minimum of 0.50 *per cent* of the Outstanding Liabilities (Public Debt *plus* Other Liabilities) of the previous year. Contribution to this Fund out of borrowings from the Reserve Bank is not permissible. Transactions under CSF during the year is given in the **Table 2.38**.

Table 2.38: Details of transaction under CSF during 2023-24

(₹ in crore)

Opening balances	Required contribution	Contribution (including interest)	Payment out of the fund	Total balance in the Fund	Amount invested by RBI during the year	Closing balance
2,260.09	78.23 ¹¹	234.99	--	2,495.08	234.99	2,495.08

Source: Finance Accounts 2023-24

It can be seen from the above **Table 2.38**, the contribution due from the State Government during the year was ₹78.23 crore. Against this, the State Government contributed ₹234.99 crore (including interest of ₹164.99 crore earned on investment) to the Fund and entire amount has been invested by the Reserve Bank of India in GoI Securities. As on 31 March 2024, an amount of ₹2,495.08 crore was invested.

2.8.4 Guarantee Redemption Fund

The State Government constituted 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the guarantees issued by the State Government in respect of bonds issued and other borrowings by the State Level Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund would be utilised only towards payment of the guarantees issued by the Government and invoked by the beneficiary and not paid by the institution on whose behalf the guarantee was issued.

In terms of recommendations of the XII FC, the State Government had constituted (February 2018) Guarantee Redemption Fund (GRF) with the objective of meeting its obligation arising out of the guarantees issued on behalf of the State Bodies. According to the Act of the fund, the Government should contribute a minimum of one *per cent* of the outstanding guarantees at the end of the previous year and thereafter minimum 0.50 *per cent* every year to achieve a minimum level of three *per cent* in next five years.

During 2023-24, the State Government contributed ₹1.08 crore against ₹0.06 crore required to be contributed to the Fund. In addition, the Government contributed ₹0.32 crore as no guarantee was invoked during the year. The entire amount (₹1.40 crore) has been invested by the Reserve Bank of India in GoI Securities. As on 31 March 2024, the total amount lying in the Fund was ₹5.55 crore.

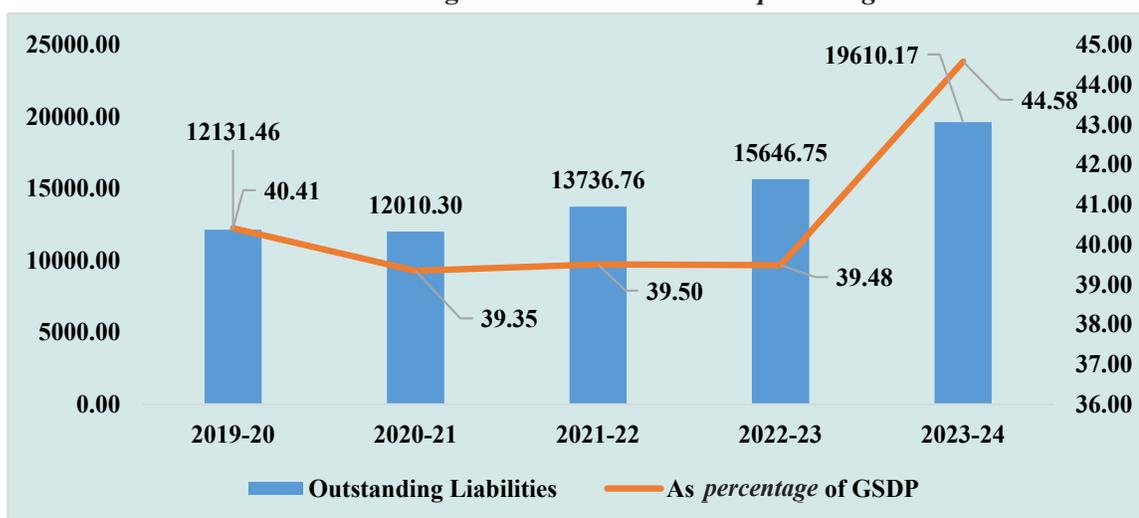
2.9 Public Liability Management

Management of Public Liability is the process of establishing and executing a strategy for managing the Government's Liabilities to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

The Outstanding Total Liabilities of the State along with its *percentage* to GSDP for the year 2019-20 to 2023-24 are in given in **Chart 2.18**.

¹¹ 0.50 *per cent* of the total Outstanding Liabilities of ₹15,646.75 crore of State Government as on 31 March 2022

Chart 2.18: Outstanding Total Liabilities and its percentage to GSDP



Source: Finance Accounts of the respective year, GSDP-Director of Economics and Statistics, GoAP

In monetary terms, the Total Outstanding Liabilities has shown an increasing trend from throughout the period (2019-20 to 2023-24) except for the year 2020-21. The *percentage* of Outstanding Liabilities to GSDP ranged between 39.35 and 44.58 *per cent* during the five-year period from 2019-20 to 2023-24.

2.9.1 Liability profile: Component

Components of Total Liabilities of the state government typically constitute of internal debt of the State (market loans, ways and means advances from RBI, special securities issued to the National Small Savings Fund and loans from financial institutions, *etc.*), loans and advances from the Central Government, and Public Account Liabilities. The State FRBM Act, 2006 of the State has defined the total liabilities as “The total liabilities mean the liabilities under the Consolidated Fund and the Public Account of the State and shall also include borrowings by the Public Sector undertakings and the Special Purpose Vehicles and other equivalent instruments including guarantees where principal and/ or interest are to be serviced out of the State budget”. Outstanding debt constituting outstanding internal debt, outstanding loans and advances from GoI and outstanding balance of Public Account liabilities.

The component-wise liability trends of the State for the five-year period from 2019-20 to 2023-24 are given in **Table 2.39**.

Table 2.39: Trend of the outstanding Debt

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Outstanding Total Liabilities	12,131.46	12,010.30	13,736.76	15,646.75	19,610.17
Public Debt	6,451.24	7,707.81	8,835.82	10,764.27	13,973.87
<i>Internal Debt</i>	6,298.77	7,348.10	8,130.52	8,520.84	9,392.43
<i>Loans from GoI</i>	152.47	359.71	705.30	2,243.43	4,581.44
Public Account Liabilities	5,680.22	4,302.49	4,900.94	4,882.48	5,636.30
<i>Small Savings, provident Funds, etc.</i>	2,503.51	2,719.41	2,962.87	3,117.55	3,273.34
<i>Reserve Funds bearing interest</i>	1,591.54	1,392.43	1,782.11	1,603.21	2,287.80

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Reserve Funds not bearing interest	1,345.85	0.12	0.13	0.13	0.13
Deposits bearing interest	38.80	31.65	33.22	38.60	43.02
Deposits not bearing interest	200.52	158.88	122.61	122.99	32.01
Rate of growth of outstanding total Liabilities over the previous year (percentage)	41.25	(-)1.00	14.37	13.90	25.33
Gross State Domestic Product (GSDP)	30,023.65	30,525.36	34,774.78	39,629.95	43,991.61
Rate of Growth of GSDP (in per cent)	18.51	1.67	13.92	13.96	11.01
Liability/ GSDP (in per cent)	40.40	39.35	39.50	39.48	44.58
Borrowings and Other Liabilities as per Statement 6 of Finance Accounts					
Total Liabilities Receipts	4,595.82	2,898.15	3,568.92	4,048.80	6,594.31
Total Liabilities Repayments	1,052.78	1,333.00	1,842.46	2,138.81	2,621.10
Total Liabilities Receipts Available	3,543.04	1,565.15	1,726.46	1,909.99	3,973.21
Liabilities Repayments/ Liabilities Receipts (percentage)	22.91	45.99	51.63	52.83	39.75

Source: Finance Accounts of the respective year; GSDP-Director of Economics and Statistics, GoAP

Total Outstanding liabilities of the State Government had been on rise (except for the year 2020-21) as it increased by ₹7,478.71 crore (61.65 per cent) from ₹12,131.46 crore in 2019-20 to ₹19,610.17 crore in 2023-24 due to a significant increase in Loans and Advances from GoI by ₹4,428.97 crore (2,904.81 per cent), Internal Debt by ₹3,093.66 crore (49.12 per cent), which was partially offset by decrease in Public Accounts liabilities by ₹43.92 crore (0.77 per cent).

During 2023-24, the Outstanding Liabilities increased by ₹3,963.42 crore (25.33 per cent) over 2022-23 (₹15,646.75 crore). This was due to increase in the Loans and Advances from GoI by ₹2,338.01 crore (104.22 per cent), Internal Debt by ₹871.59 crore (10.23 per cent), and Public Accounts Liabilities by ₹753.82 crore (15.44 per cent) over the previous year.

During 2023-24, Public debt increased by ₹3,209.60 crore (29.82 per cent). This was due to increase in internal debt increased by ₹871.59 crore (10.23 per cent) and Loans from GoI by ₹2,338.01 crore (104.22 per cent). During the current year, the public accounts liabilities increase by ₹753.82 crore (15.44 per cent) over the previous year (₹4,882.48 crore). This was due to significant increase in Reserve funds bearing interest by ₹684.59 crore (42.70 per cent), Small Savings, Provident Funds, etc. by ₹155.79 crore (five per cent) which was partially offset by decrease in Deposits not bearing interest by ₹90.98 crore (73.97 per cent).

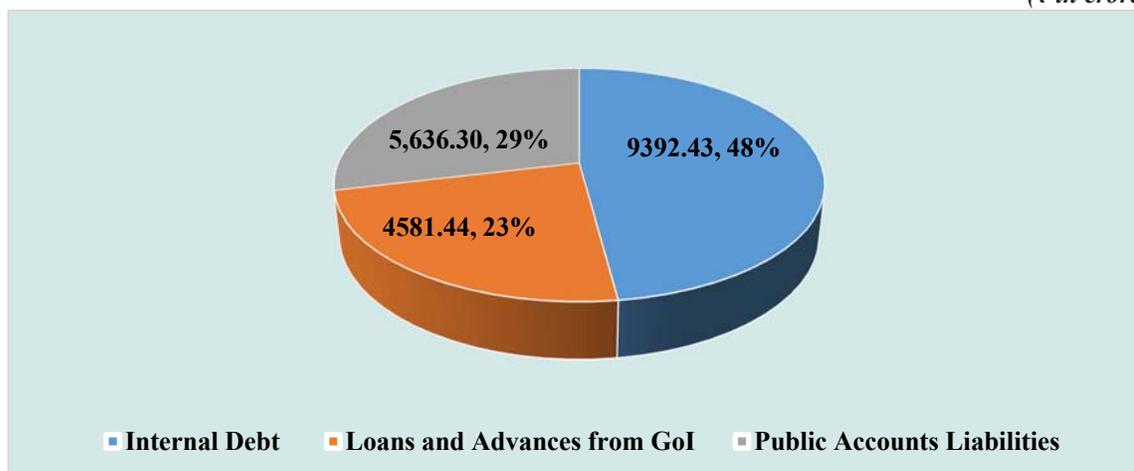
As can be seen from **Table 2.39**, State utilises a substantial portion of the borrowings towards Debt repayment, yet a significant Total Debt is still to be paid. Outstanding Debt is increasing faster (except 2020-21 and 2022-23) than the growth of GSDP. There had been a fluctuating trend with alternate year in the Debt to GSDP ratio during the five-year period from 2019-20 to 2023-24 and stood at 44.58 per cent during 2023-24. The ratio of Debt repayments to Debt receipts had an increasing trend from 2019-20 to 2022-23. The ratio of

Debt repayments to Debt receipts decreases drastically from 52.83 *per cent* in 2022-23 to 39.75 *per cent* in 2023-24 which caused future burden on State Government's resources.

Component-wise break-up of outstanding total liabilities at the end of 2023-24 is shown in **Chart 2.19**.

Chart 2.19: Break-up of outstanding Liabilities as on 31 March 2024

(₹ in crore)

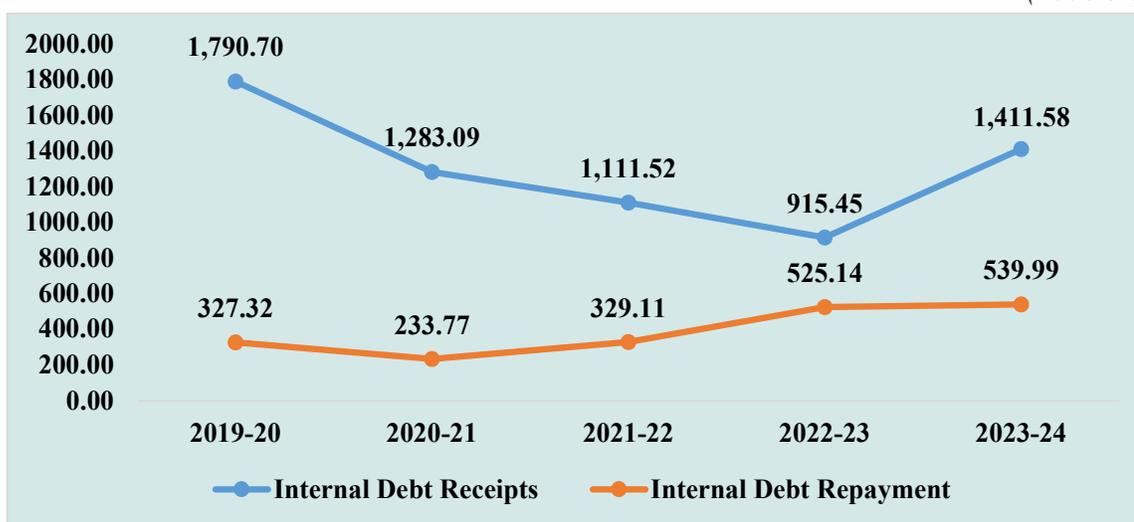


Source: Finance Accounts 2023-24

Internal debt, which is primarily Market Borrowings through issue of State Government Securities, accounts for 48 *per cent* of the Outstanding Total Liabilities. The comparative trend of internal debt and repaid is given in **Chart 2.20**.

Chart 2.20: Trend of Internal Debt and repaid for the period 2019-20 to 2023-24

(₹ in crore)



Source: Finance Account of the respective year

It could be seen from the above Chart, there had been a decreasing trend in the Internal Debt receipts from 2019-20 to 2022-23 and it increased drastically in 2023-24. Internal Debt repayment had also been increasing during the five years period (except for the year 2020-21). The gap between Internal Debt taken and repaid has increased in 2023-24. This was due to drastic increase in Internal Debt Receipts than that of Internal Debt Repayment.

2.9.1.1 Components of Fiscal Deficit and its financing pattern

The share of Revenue Deficit in Fiscal Deficit indicates the extent to which borrowed funds were used for current consumption. The persistently high ratio of Revenue Deficit to Fiscal Deficit also indicates that the asset base of the State is continuously being eroded and a part of borrowings (Fiscal Liabilities) does not have any asset backup. However, in case of Arunachal Pradesh, there was a Revenue Surplus for five-year period from 2019-20 to 2023-24.

The financing pattern of fiscal deficit has undergone a compositional shift as reflected below in **Table 2.40**.

Table 2.40: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

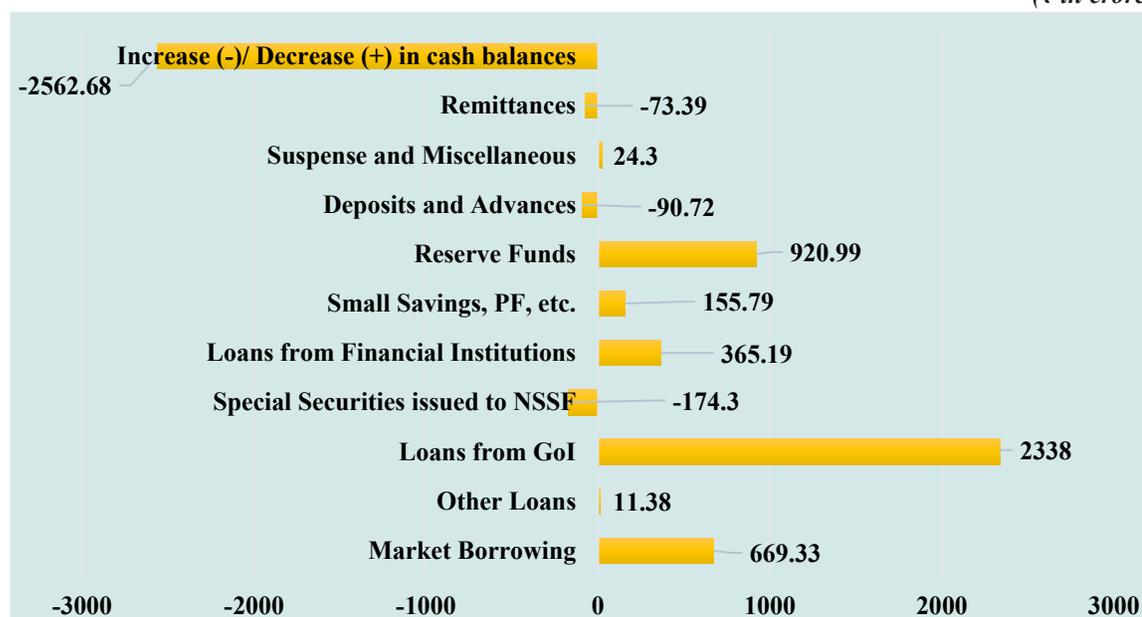
Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Decomposition of Fiscal Deficit						
Fiscal Deficit (-)/ Surplus (+)		(-1,032.22)	(-1,086.20)	(-1,099.04)	(-1,735.40)	(-1,583.89)
1	Revenue Surplus	2,669.82	4,036.01	5,385.00	6,370.47	6,876.65
2	Net Capital Expenditure	(-) 3,693.05	(-) 5,123.35	(-) 6,488.33	(-) 8,107.36	(-) 8,463.83
3	Net Loans and Advances	-8.99	1.14	4.29	1.49	3.29
Financing pattern of Fiscal Deficit						
1	Market Borrowings	762.96	1,288.08	767.81	389	669.33
2	Other Loans	4.16	(-)3.73	(-)3.73	6.87	11.38
3	Loans from GoI	(-) 26.36	(-)26.28	207.25	1,538.14	2338
4	Special Securities issued to NSSF	50.45	77.36	146.91	(-)192.27	(-)174.3
5	Loans from Financial Institutions	189.64	101.67	138.33	186.71	365.19
6	Small Savings, PF, etc.	225.89	275.14	215.9	154.68	155.79
7	Reserve Funds	307.32	1,906.08	141.47	55.71	920.99
8	Deposits and Advances	(-)75.93	(-)77.23	(-)53.73	5.88	(-)90.72
9	Suspense and Miscellaneous	(-)176.63	(-)2,678.97	(-)31.58	(-)5.65	24.30
10	Remittances	1,134.66	(-)1,367.05	(-)66.92	(-)413.87	(-)73.39
11	Increase (-)/ Decrease (+) in cash balances	(-) 364.49	1,537.15	(-)375.51	10.20	(-) 2,562.68
12	Increase/ Decrease in WMAs, Overdraft	-55.64	0.00	0.00	0.00	0.00
Overall Deficit (1 to 11) (-)		(-) 1,032.22	(-) 1,086.20	(-) 1,099.04	(-) 1,735.40	(-) 1,583.89
Revenue Surplus to Capital Expenditure (per cent)		72.29	78.78	83.00	78.58	81.25

Source: Finance Accounts of the respective year

The components of fiscal deficit consisted of Revenue Surplus, Net Loans and Advances and Net Capital Expenditure. Since the State is Revenue Surplus during the throughout the period (2019-24), the surplus on revenue account were utilised to finance Capital Expenditure. During 2019-20 to 2023-24, Revenue Surplus could finance 72.29 to 83.00 *per cent* of Capital expenditure. The components of financing of fiscal deficit during 2023-24 is expressed through water flow chart as shown in **Chart 2.21**.

Chart 2.21: Components of financing of fiscal deficit during 2023-24

(₹ in crore)



Source: Finance Accounts, 2023-24

The components of receipts and disbursements financing the fiscal deficit during 2023-24 are depicted in **Table 2.41**.

Table 2.41: Receipts and Disbursements under Components Financing the Fiscal Deficit

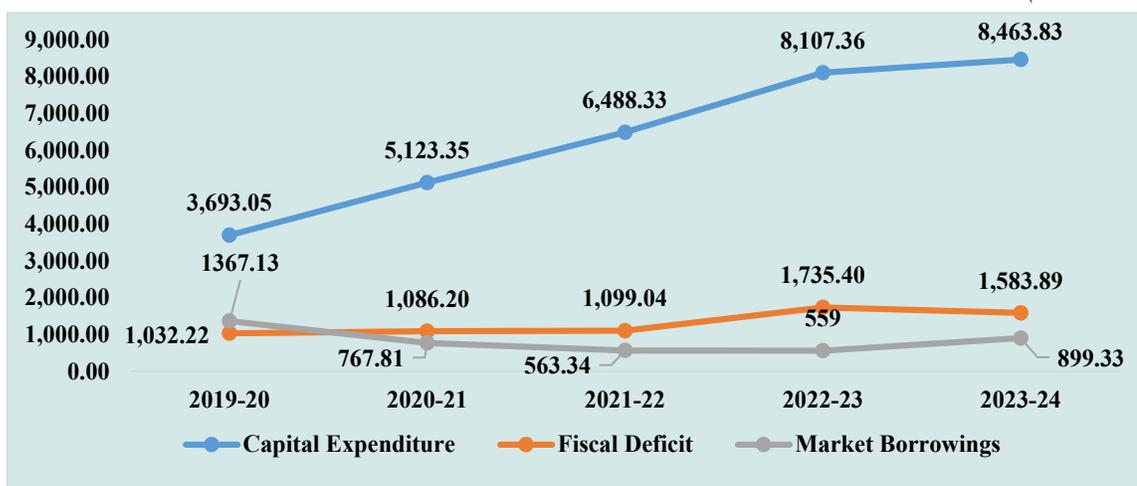
(₹ in crore)

Particulars	Receipts	Disbursement	Net
Market Borrowings	899.33	230.00	669.33
Loans from GoI	2,363.41	25.41	2338
Special securities issued to NSSF	0.00	174.30	(-) 174.30
Loans from Financial Institutions	500.00	134.81	365.19
Other Loans	12.25	0.87	11.38
Small Savings, PF, etc.	642.01	486.22	155.79
Reserve Fund	1227.09	306.11	920.99
Deposit and Advances	1185.56	1276.28	(-)90.72
Suspense and Miscellaneous	(-) 0.18	(-) 24.48	24.30
Remittances	9,464.82	9,538.21	(-) 73.39
Overall Deficit			4,146.57
Increase (-)/ Decrease (+) in Cash balances			(-)2,562.68
Gross Fiscal Deficit			1,583.89

Source: Finance Accounts, 2023-24

As it could be seen from the **Table 2.41**, that 23.05 and 42.26 *per cent* of the fiscal deficit was financed from Loans from GoI and Market Borrowings. Comparative trend of Capital Expenditure, Fiscal Deficit and Market Borrowings for the period 2019-20 to 2023-24 are given in **Chart 2.22**.

Chart 2.22: Trend of Capital Expenditure, Fiscal Deficit, and Market Borrowings
(₹ in crore)



Source: Finance Account of the respective year

Ideally, the market borrowings should be utilised for creation of Assets through Capital Expenditure. As can be seen from the above Chart, market borrowings were less than the Capital Expenditure for the past five years indicating that market borrowings were not utilised fully for creation of Assets through Capital Expenditure. During 2023-24, Capital Expenditure was 224.21 *per cent* of Public debt receipts.

2.9.2 Debt Sustainability Analysis (DSA)

Debt sustainability analysis has been carried out based on the fiscal and debt parameters, *i.e.*, Domar approach and compliance of macro-fiscal parameters to the respective targets. The results of analysis are given in the succeeding paragraphs:

Debt sustainability is defined as the ability of the State to service its debt obligation now and in future. However, the higher the level of public debt, the more likely it is that fiscal policy and public debt are unsustainable, as a higher debt requires a higher primary surplus to sustain it. A high level of debt raises a number of challenges:

- Large primary fiscal surpluses are needed to service a high level of debt; such surpluses may be difficult to sustain, both economically and politically.
- A high level of debt heightens an economy's vulnerability to interest rate and growth shocks.
- A high debt level is generally associated with higher borrowing requirements, and therefore a higher risk of a rollover crisis.
- High levels of debt may be detrimental to economic growth; while lower growth is a concern in itself, it also has a direct impact on debt dynamics and debt sustainability in the long term.

- Debt vulnerability is also associated with its profile. A high share of short-term debt at original maturity, increases vulnerability to rollover (re-financing risk) and interest rate risks. Sustainability of Public debt ensures that it does not explode and governments are not forced to increase taxes, or decrease spending.
- Debt is considered sustainable if the borrower, in this case the State, is in a position to service its debt now, and in future. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the borrower by examining their ability to service the debt through timely interest payments and repay debt out of current and regular sources of revenue.

The sustainability of debt of the State Government is analysed in terms of Debt/ GSDP ratio, Fiscal Deficit/ GSDP and burden of Interest Payments (measured by ratio of Interest Payments to Revenue Receipts). Analysis of variations in debt sustainability indicators for the five-year period from 2019-20 to 2023-24 are given in **Table 2.42** and **Chart 2.23**.

Table 2.42: Debt Sustainability: Indicators and Trends

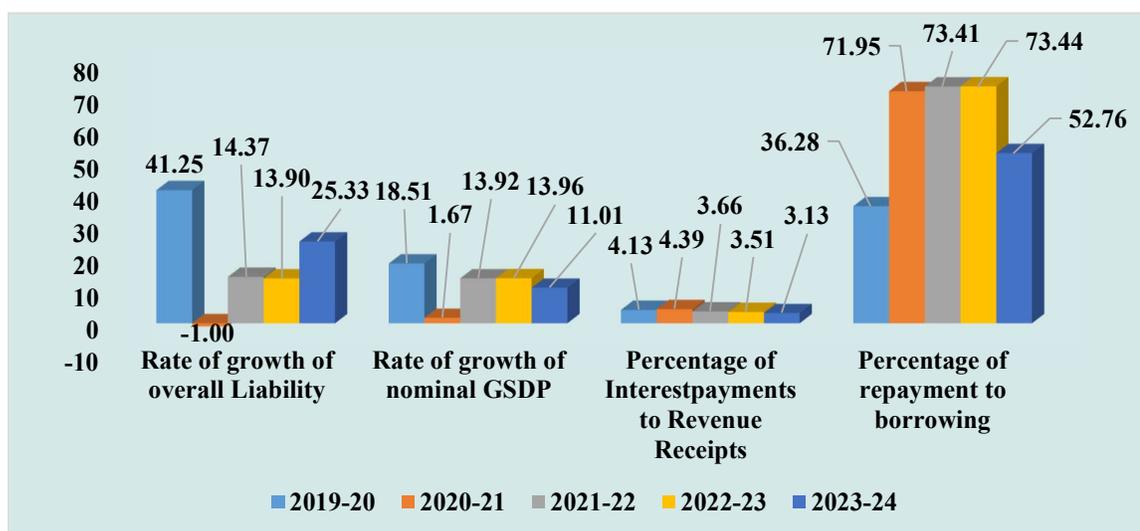
Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
Overall Liabilities or Overall Debt	12,131.46	12,010.30	13,736.76	15,646.75	19,610.17
Rate of growth of overall liability (in per cent)	41.25	-1.00	14.37	13.90	25.33
GSDP (Nominal terms)	30,023.65	30,525.36	34,774.78	39,629.95	43,991.61
Nominal GSDP growth rate (per cent)	18.51	1.67	13.92	13.96	11.01
Overall Liabilities or Overall Debt/GSDP	40.41	39.35	39.50	39.48	44.58
Maturity profile of all kinds of borrowings (including liabilities under Public Accounts, if any) in per cent					
0-2 years	14.22	13.62	17.48	14.52	8.92
2-5 years	18.19	19.73	24.33	25.74	20.48
5-10 years	57.56	55.04	45.57	53.69	34.04
Over 10 years	10.04	11.61	12.63	6.04	36.56
Repayments to Gross Borrowings (per cent)	36.28	71.95	73.41	73.44	52.76
Net borrowings available as a percentage of Gross Borrowings	63.72	28.05	26.59	26.56	47.24
Interest payments on Overall Debt	614.53	752.34	777.62	834.64	858.03
Effective rate of interest on Overall Debt (per cent)	6.87	6.78	6.26	6.14	5.50
Interest payments to Revenue Receipts (per cent)	4.13	4.39	3.66	3.51	3.13
Revenue Surplus	2,669.82	4,036.01	5,385.00	6,370.47	6,876.65
Primary Revenue Balance	3,284.35	4,788.35	6,162.62	7,205.11	7,734.68
Primary Balance	(-)418.69	(-)333.86	(-)321.42	(-)900.76	(-)725.86
PB/GSDP	(-) 1.39	(-) 1.09	(-) 0.92	(-) 2.27	(-) 1.65
Difference between RoI and effective rate of interest on overall liability	(-) 6.87	(-) 6.78	(-) 6.26	(-) 6.14	(-) 5.50
Liquidity Management (use of financial accommodation instruments available with RBI) (in number of occasions)	0.00	0.00	0.00	0.00	0.00

Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
Debt Stabilisation (Quantum spread + Primary balance)	812.84	(-)927.06	693.61	191.59	221.15
Domar Model					
GSDP (in constant terms)	19,140.30	18,434.54	19,707.40	21,084.65	23,080.53
Real Growth (in constant terms)	14.83	(-) 3.69	6.90	6.99	9.47
Inflation based on CPI (<i>per cent</i>)	0.52	2.57	6.07	6.24	3.22
Effective Rate of interest on Overall Debt	6.87	6.78	6.26	6.14	5.50
Real effective rate of interest (Effective rate of interest-Inflation)	6.35	4.21	0.19	(-) 0.10	2.28
Growth Interest Differential (Real Growth-Real effective rate of interest)	8.48	(-)7.89	6.72	7.09	7.18

Source: Finance Accounts of the respective year, GSDP-Director of Economics and Statistics, GoAP and CPI-Economic Division of Comptroller and Auditor General of India.

RoI= Interest Receipts/ Average of Outstanding Loans and Advances Disbursed of previous and current year*100

Chart 2.23: Trends of Debt Sustainability Indicators



Source: Finance Accounts of the respective year

- Nominal growth during 2019-2024 was largely driven by real growth. The Debt Sustainability Indicator (DSI) showed a fluctuating trend during 2019-2024. This could be due to the volatility observed in nominal growth and primary balance. However, stable nominal growth post-COVID and contraction in overall liabilities in 2020-21 allowed the debt-GSDP ratio to remain stable at average of 39.50 *per cent* during 2020-23.
- Decomposition of primary balance and debt relative to GSDP shows that the improvement in the growth-interest gap was not sufficient to absorb the impact of the primary deficit and the increase in non-interest-bearing liabilities, which led to an increase in the debt-GSDP ratio in 2019-20. In contrast, the contraction in non-interest-bearing liabilities supported by the reduction in primary deficit resulted in the debt-GSDP ratio declining by more than one percentage point from 40.41 *per cent*

in 2019-20 to 39.35 *per cent* in 2020-21, which remained almost stable till 2022-23. However, the Growth Interest Differential (GID) which remained favorable was not enough absorb the impact of primary deficit and rise in non-interest liabilities. This resulted in an increase in the debt burden by over five percentage points in 2023-24 over the previous year.

- (c) The Domar criterion shows that except in 2020-21, real interest remained below the real growth. This suggests that economic growth in the last five years was sufficient to cover the cost of borrowing. However, given the fluctuating trend in primary deficit, debt-GSDP ratio was unable to converge the 2019-20 level. Moreover, the debt-GSDP ratio in four out of five years remained above the indicative debt path¹² given by the FC during 2019-2024.

Thus, given the cost disabilities in the form of remoteness, high transportation cost of goods, large proportion of forest area and difficult terrain and limited revenue mobilisation capacity, the State should prioritise its expenditure needs to stabilise the debt-GSDP ratio and set targets for debt reduction to align with the debt indicative path given by the Finance Commission.

2.9.3 Debt Profile: Maturity and Repayment

Debt Maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Debt maturity profile of the State is depicted in **Table 2.43**.

Table 2.43: Maturity Profile of Public Debt

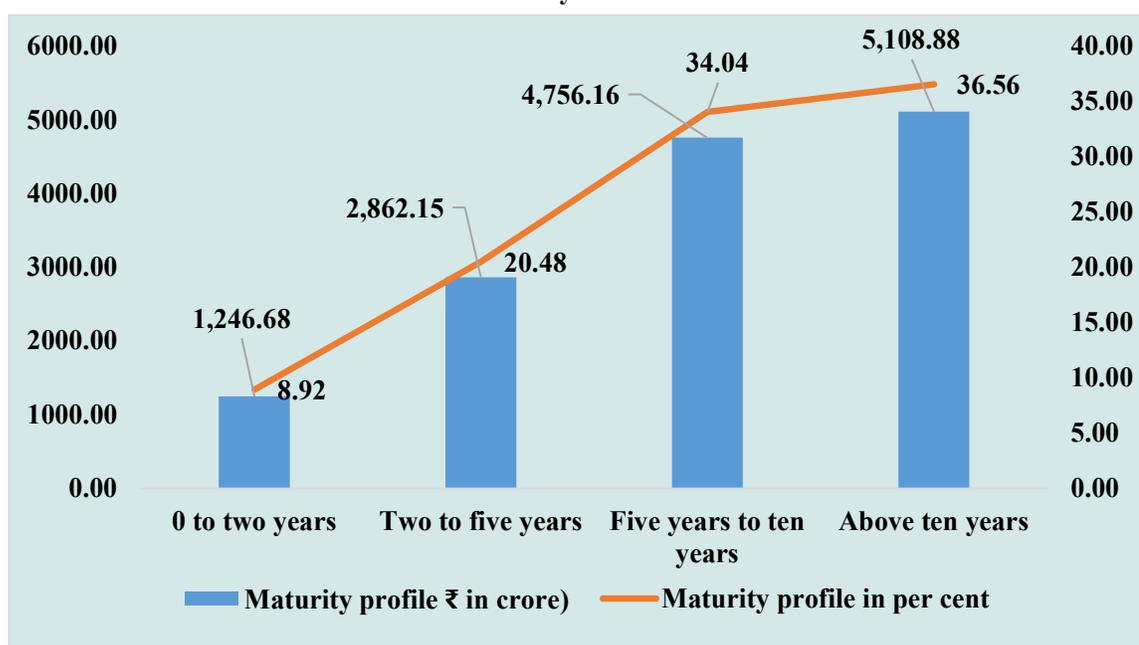
(₹ in crore)

Year of Maturity	Maturity profile	Internal Debt	Loans and Advances from GoI	Total
2024-25 to 2025-26	0 to two years	1,225.89	20.79	1,246.68
2026-27 to 2028-29	Over two years to five years	2861.93	0.22	2,862.15
2029-30 to 2033-34	Over five years to ten years	4,756.13	0.03	4,756.16
2034-35 onwards	Above ten years	548.48	4,560.40	5,108.88
Total		9,392.43	4,581.44	13,973.87

Source: Finance Accounts, 2023-24

¹² There are two conditions required for DSA; Debt Sustainability Indicator (a combination of GID and Primary Balance) and to estimate the Sustainability of the debt is diversion of the actual Debt/GSDP ratio from target threshold. As there is no theory to indicate what is a sustainable debt threshold, so choice of the target value of the debt is arbitrary. Therefore, indicative debt path of the State as projected as given by the FC is considered as threshold of Debt/GSDP ratio.

Chart 2.24: Maturity Profile of Public Debt



Source: Finance Accounts, 2023-24

The maturity profile of outstanding stock of Public Debt as on 31 March 2024 indicates that out of the outstanding Public Debt of ₹13,973.87 crore, 63.44 per cent (₹8,864.99 crore) is payable within the next ten years while the remaining 36.56 per cent (₹5,108.88 crore) is in the maturity bracket of more than ten years. Of the total outstanding Public Debt, the Internal Debt consisting of Market Borrowings, Loans from NABARD and Special Securities issued to NSSF of Central Government constituted 67.21 per cent (₹9,392.43 crore). Details of repayment of principal and Interest on Outstanding debt stock in next 10 years on the present public debt is given in Table 2.44.

Table 2.44: Details of repayment of public debt and Interest

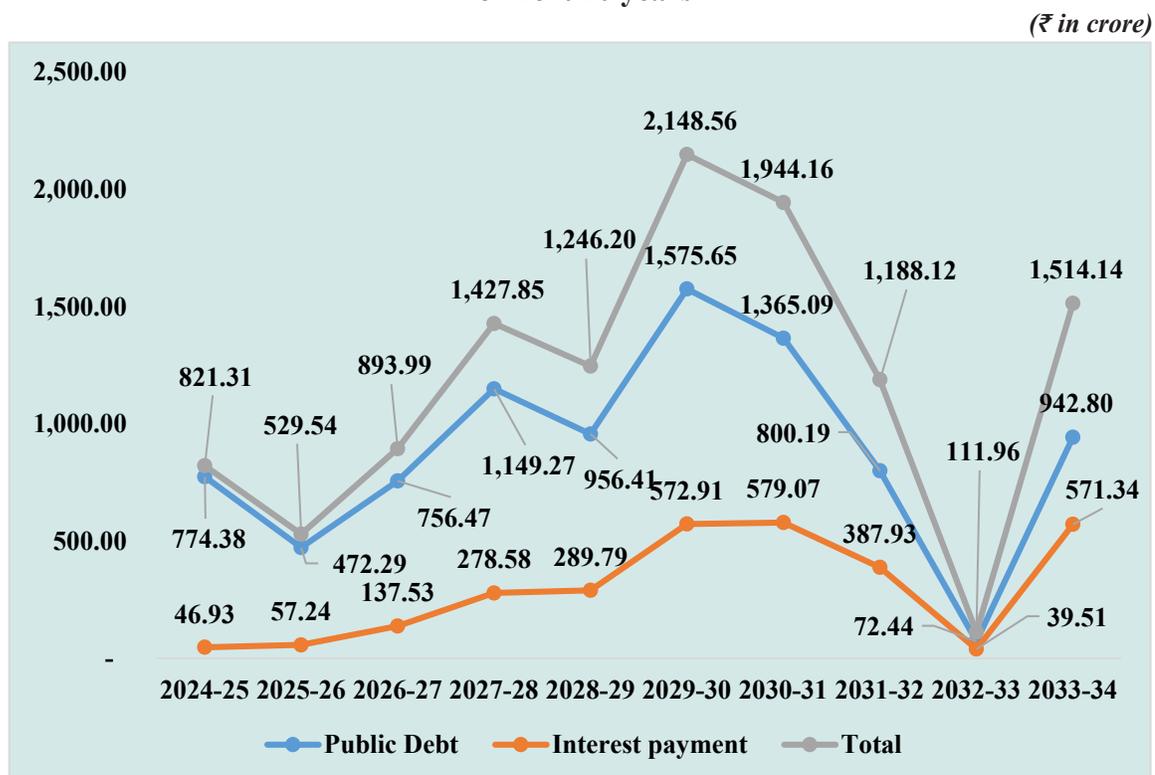
(₹ in crore)

Year	Principal		Interest payment on		Total
	Internal Debt	Loans and Advances from GoI	Internal Debt	Loans and Advances from GoI	
2024-25	753.92	20.46	45.69	1.24	821.31
2025-26	471.96	0.33	57.20	0.04	529.54
2026-27	756.36	0.11	137.51	0.02	893.99
2027-28	1,149.18	0.09	278.56	0.02	1,427.85
2028-29	956.39	0.02	289.79	0.00	1,246.20
2029-30	1,575.63	0.02	572.90	0.01	2,148.56
2030-31	1,365.08	0.01	579.07	0.00	1,944.16
2031-32	800.19	0.00	387.93	0.00	1,188.12
2032-33	72.44	0.00	39.51	0.00	111.96
2033-34	942.80	0.00	571.34	0.00	1,514.14

Source: Finance Accounts, 2023-24

Expenditure on Debt repayment (Principal component) as well as Interest thereon is a committed liability of the State Government. As on 31 March 2024, the State accumulated debt of ₹13,973.87 crore. The State will repay ₹8,865.00 crore (63.44 per cent) of this accumulated debt before 31 March 2034. Trends of repayment of Public Debt and interest payments on available present Public debt of the State for the next ten years are given in Chart 2.25.

Chart 2.25: Trends of repayment of public debt and Interest payment for next 10 years



Source: Finance Accounts, 2023-24

Interest due on the present debt liability will increase from 2025-26 and reach its peak in 2029-30 thereafter decrease uniformly over the next three years. Outstanding debt as on 31 March 2024 will mature and create a Debt repayment liability. This liability will increase and reach a peak in 2029-30 and will drop sharply in 2032-33. With respect to the present Debt liability, the repayment obligation (Principal plus Interest) on State Government will be maximum in 2029-30. The State should plan in advance for reducing other committed expenditure and enhancing the revenue collection capacity to meet this obligation.

2.9.4 Utilisation of borrowed funds

Productive utilisation of public debt can lead to Capital formation, increase in GSDP and hence increased employment generation and overall growth of the economy. But if the funds are not utilised properly, then the increasing amount of public debt and the corresponding increase in interest payment is a serious issue to worry because the increase of burden of interest payment will reduce the available resources for other

necessary expenditure such as expenditure on Economic and Social sector which play important roles in development of the State. **Table 2.45** presents the trend of utilisation of borrowed funds for repayment of earlier borrowings, Capital Expenditure and Revenue Expenditure.

Table 2.45: Details of utilisation of borrowed funds

(₹ in crore)

Year	Total Borrowings	Repayment of earlier borrowings (Principal)	Net Capital Expenditure	Net Loans and Advances	Portion of Revenue expenditure met out of net available borrowings
1	2	3	4	5	6 (2-3-4-5)
2019-20	1,790.70	353.60	3,693.05	(-)8.99	NA
2020-21	1,516.06	259.49	5,123.35	1.14	NA
2021-22	1,482.71	354.71	6,488.33	4.29	NA
2022-23	2,479.56	551.11	8,107.36	1.49	NA
2023-24	3775.00	565.39	8,463.83	3.29	NA

Source: Finance Accounts of the respective year

It can be seen from the above **Table 2.45** that the State Government utilised total borrowings for repayment of earlier principal and Capital Expenditure during the period from 2019-20 to 2023-24 indicating sustainable financial position of the State.

2.10 Management of Cash Balances

As per agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/ Special Ways and Means Advances (SWMA)/ Special Drawing Facility (SDF)/ Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is revised by the RBI from time to time.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The cash balances in the earmarked reserve funds such as State Disaster Reserve Fund, Consolidated Sinking Fund, Guarantee Redemption Fund, *etc.* are also invested in these instruments. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'.

Under an agreement with the RBI, the State Government required to maintain a minimum balance of ₹0.26 crore with RBI. State Government was able to maintain a minimum cash balance with RBI during 2023-24.

The Cash Balances and Investments made by the State Government out of Cash Balances during 2023-24 are shown in **Table 2.46**.

Table 2.46: Cash Balances and Investment of Cash Balances*(₹ in crore)*

Particulars	Open balance on 01 April 2023	Closing balance on 31 March 2024
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank	(-) 945.59	(-) 104.07
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Total (A)	(-)945.59	(-) 104.07
B. Investments held in Cash Balance investment account	3,045.88	4,530.13
(a) Total (A+B)	2,100.29	4,426.06
(b) Other Cash Balances and Investments		
Cash with departmental officers	(-)18.39	(-) 17.88
Permanent advances for contingent expenditure with department officers	0.01	0.01
Investment of earmarked funds	2,264.24	2,500.64
Total (b)	2,245.86	2,482.77
Total (a) + (b)	4,346.15	6,908.83
Interest realized	90.39	169.41

Source: Finance Accounts, 2023-24

Cash with treasuries/ departments, Deposit with RBI and Remittance in transit form cash and cash equivalent. In addition to Treasury bills, cash balance is also invested in Earmarked funds viz., Consolidated Sinking Fund and Guarantee Redemption Fund. Out of the investment of ₹2,500.64 crore, ₹2,495.08 crore was invested in Consolidated Sinking Fund and ₹5.56 crore in Guarantee Redemption Fund.

Cash Balances of the State Government increased significantly by ₹2,562.68 crore (58.96 per cent) from ₹4,346.15 crore in 2022-23 to ₹6,908.83 crore in 2023-24.

There was a net difference of ₹9.45 crore (Credit) at the end of accounting year 2023-24 between the General Cash Balance as worked out by the Accountant General ₹104.07 crore (Credit) and that reported by the RBI ₹94.62 crore (Debit). This difference was mainly due to misclassification of transactions by bank/ treasuries.

As of 31 March 2024, the State Government invested ₹3,045.88 crore in Short Term Investments in GoI Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049- Interest Receipts'. During 2023-24, the State Government had earned an interest of ₹169.41 crore.

Table 2.47 shows the year-wise Cash Balance Investment with interest earned during the last five years (2019-20 to 2023-24).

Table 2.47: Details of Cash Balance Investment with interest earned during the last five-year

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+)/ decrease (-)	Interest earned
2019-20	3,442.42	1,416.05	(-)2,026.37	59.22
2020-21	1,416.05	1,699.49	(+) 283.44	32.37
2021-22	1,699.49	4,392.63	(+)2,693.14	44.68
2022-23	4,392.63	3,045.87	(-)1,346.76	90.39
2023-24	3,045.87	4,530.13	(+) 1,484.26	169.41

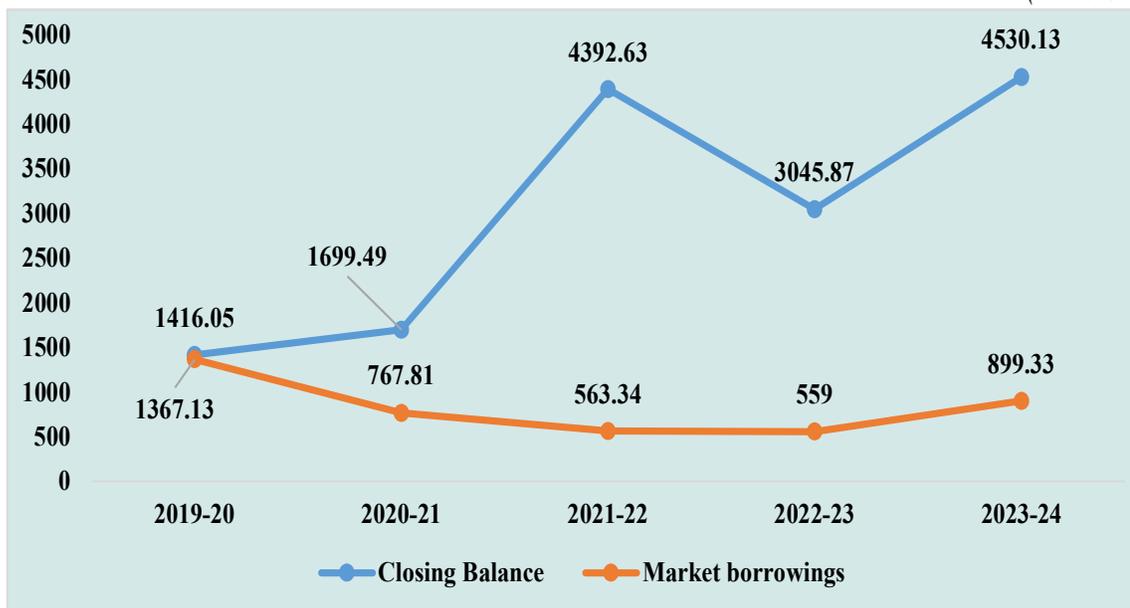
Source: Finance Accounts of the respective year

Cash Balance Investment of the State Government during 2019-20 to 2023-24 showed inter-year variance. During the current year, Cash Balance Investment of the State Government increased by ₹1,484.26 crore (48.73 per cent) over the previous year.

Chart 2.26 compares the balances available in the Cash Balance Investment Account and the Market Loans taken by the State during the period 2019-20 to 2023-24.

Chart 2.26: Market Loans vis-à-vis Cash Balance Investment

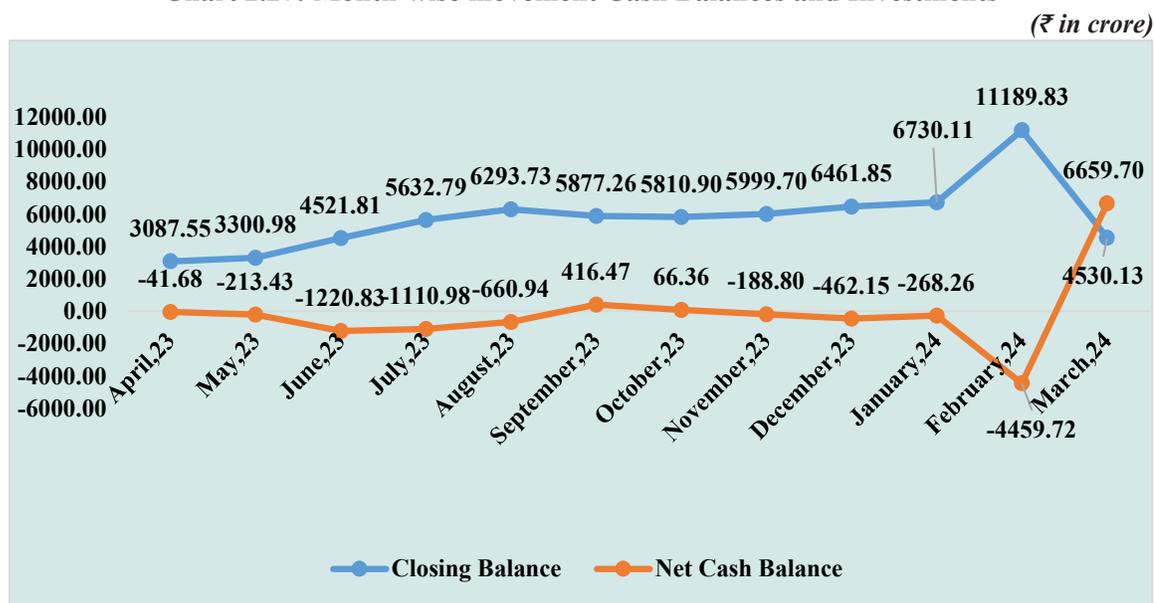
(₹ in crore)



Source: Finance Accounts of the respective year

As can be seen from **Chart 2.26**, it is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. **Chart 2.27** compares the month-wise movement Cash Balances and net Cash Balance Investments during the year.

Chart 2.27: Month-wise movement Cash Balances and Investments



Source: Monthly Civil Accounts 2023-24

2.11 Conclusion

The continuous mismatch between receipts and expenditure indicates rising fiscal stress. The State has different sources of receipts such as State Own Tax Revenue, Non-tax Revenue, Devolution of State's share in taxes, Grants-in-Aid and transfers from the Union Government and non-debt capital receipts. The State Government's expenditure includes expenditure on revenue account as well as Capital Expenditure (assets creation, loans and advances, investments *etc.*).

Fiscal sustainability is examined in terms of macro-fiscal parameters such as deficits, level of debt and liabilities, commitments on account of guarantees and subsidies. So far as revenue and expenditure mismatch is concerned, one of the most important constraints is committed and inflexible expenditure, which includes salaries and wages, pension payments and interests and also other inflexible expenditure such as those arising out of commitment for centrally sponsored schemes and transfer to reserve funds.

From 2019-20 to 2023-24, Revenue Receipts grew from ₹14,888.55 crore in 2019-20 to ₹27,441.00 crore in 2023-24 at an average growth rate of 11.66 *per cent*. Capital receipts also increased from ₹1,797.74 crore to ₹3,780.96 crore during this period. The share of GIA in Revenue receipts fell down from 27.01 *per cent* in 2019-20 to 14.20 *per cent* in 2023-24. In 2023-24, the buoyancy of revenue receipts was higher and State's own revenue was lower over the previous year. State was heavily dependent on transfer from the GoI as State's own revenue contributed only 13.48 *per cent* of Revenue Receipts. During 2023-24, the State Government received ₹3,370.58 crore for 32 Centrally Sponsored Schemes (CSS). As on 31 March 2024, an amount of ₹1,606.91 crore, including both Central and State shares, were parked in SNA bank accounts of 64 schemes.

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such it does not result in addition to the State's infrastructure and service network. Between 2019-20 and 2023-24, Revenue expenditure increased from ₹12,218.73 crore (40.70 *per cent* of GSDP) to ₹20,564.35 crore (46.75 *per cent* of GSDP). It made up a significant portion (between 68 and 77 *per cent*) of Total expenditure during this period, growing at an average annual rate of 10.89 *per cent*.

Under the Revenue expenditure, the quantum of committed expenditure constitutes the largest share. The Committed expenditure has the first charge on the resources and consists of Interest payments, expenditures on Salaries and Wages and expenditure on Pensions. Committed expenditure hovered around 52.66 and 61.55 *per cent* of Revenue expenditure during 2019-20 and 2023-24. The Committed expenditure increased from ₹7,520.70 crore in 2019-20 to ₹10,829.50 crore in 2023-24.

In addition to Committed expenditure, inflexible expenditure decreased from ₹1,893.25 crore (12.72 *per cent* of Revenue expenditure) in 2019-20 to ₹1,114.31 crore (4.06 *per cent* of Revenue expenditure) in 2023-24, indicating declining trend. During 2023-24, the inflexible expenditure (₹1,114.31 crore) increased by ₹60.76 crore (5.77 *per cent*) over the previous year (₹1,053.55 crore).

Taken together the committed and Inflexible expenditure in 2023-24 was ₹11,943.81 crore; 58.08 *per cent* of Revenue expenditure. Decreasing trend on Committed and Inflexible expenditure leaves the Government with flexibility for other priority sectors and capital creation.

The State Government Spent ₹8,466.50 crore only on Capital Account. This was 29.16 and 19.25 *per cent* of Total Expenditure and GSDP respectively. During 2023-24, the Capital Expenditure was 224.20 *per cent* of Public debt receipts. Thus, borrowed funds were being used for capital creation/development activities.

Result of Expenditure

The gap between the Revenue receipts and Revenue expenditure results in Revenue surplus. The State had managed to achieve to a surplus on Revenue account during the last five-years. The Revenue surplus of the State increased from ₹2,669.82 crore (8.89 *per cent* of GSDP) in 2019-20 to ₹6,876.65 crore (15.63 *per cent* of GSDP) in 2023-24. However, during the current year, there was an understatement of Revenue surplus of the State by ₹31.49 crore, considering that the overall Revenue Surplus depicted in the accounts was ₹6,876.65 crore, the State would have a Revenue Surplus of ₹6,908.14 crore.

The gap between the total expenditure and total non-debt receipt of the State results in Fiscal deficit. The fiscal deficit of the State increased from ₹1,032.22 crore (3.44 *per cent* of GSDP) in 2019-20 to ₹1,583.89 crore (3.60 *per cent* of GSDP) in 2023-24. However, during 2023-24, the Fiscal deficit was found overstated by ₹61.66 crore, considering that adjustments, the State would have Fiscal deficit of ₹1,522.23 crore instead of ₹1,583.89 crore.

National Pension System (NPS)

The State has not complied with the rules governing National Pension System (NPS). Non-observance of the rules governing NPS by the State Government is fraught with the risk of un-authorised use of funds belonging to its employees, thereby creating uncertainty in respect of the benefits due to the employees, avoidable future liability to the Government, and possible failure of the NPS itself in the State as total amount of ₹58.00 crore (Saving Account: ₹44.82 crore, Current Account: ₹6.79 crore and Public Account: ₹6.39 crore) remained to be transferred to NSDL by State Government.

Comprehensive Database of its investment in capital projects

The State did not have a comprehensive database of its investment in capital projects in the past having relevant information such as approved cost, the status of projects, details of completion time of the projects, and liabilities arising out of inordinate delays in completion of these projects as funds aggregating ₹365.29 crore were locked up during 2023-24 against 83 incomplete projects.

The Outstanding balances of Loans and Advances as on 31 March 2024 was ₹86.78 crore. Out of ₹86.78 crore, ₹57.40 crore was extended to the Co-operation, ₹10.00 crore to the Power projects, ₹6.10 crore to Loans for Other industries and mineral and ₹10.12 crore to Government Servants

Non-clearance of outstanding balances under Suspense and Remittance heads

Non-clearance of outstanding balances under Suspense and Remittance heads affects the accuracy of Receipt/ Expenditure figures and balances under different heads of Accounts as the Outstanding net balances under Suspense and Remittance heads during 2023-24 was ₹1,613.15 crore (Debit).

Outstanding Public Liabilities

Public debt receipts consist of borrowings taken from Market, Financial Institutions and Loans and Advances from the GoI. The major sources of Public debt receipts for the State were Loans and Advances from GoI which constituted 62.61 *per cent* and Internal debt which constituted 37.39 *per cent*. The State Government has been opting for Market Borrowings (Market Loans and Loans from the financial Institutions was 99.13 *per cent* of Internal Debt during 2023-24.

Total Outstanding Public Liabilities of the State as on 31 March 2024, was ₹19,610.17 crore. Out of ₹19,610.17 crore, ₹9,392.43 crore was under Internal Debt, ₹5,636.29 crore under Public Accounts Liabilities and ₹4,581.44 crore under Loans and Advances from GoI. Significant portion of the borrowed funds are used for repayment of earlier borrowings leaving less space to use productively as the ratio of public debt repayments to the public debt receipts ranged between 22.91 to 52.83 *per cent* during the five-years period.

The maturity profile of outstanding stock of Public Debt as on 31 March 2024 indicates that out of the outstanding Public Debt of ₹13,973.87 crore, 63.44 *per cent* (₹8,864.99 crore)

is payable within the next ten years while the remaining 36.56 *per cent* (₹5,108.88 crore) is in the maturity bracket of more than ten years. With respect to present Debt liability, the repayment obligation (Principal and Interest) on the State Government will be maximum in 2029-30.

Fiscal Sustainability

The Fiscal Sustainability is examined in terms of macro-fiscal parameters such as deficits, level of debt and liabilities, commitments on account of off-budget borrowings, guarantees, subsidies, *etc.* So far as Revenue and Expenditure mismatch is concerned, one of the important constraints is committed and inflexible expenditure which includes salaries and wages, interest payments and pensions payments *etc.*; and other inflexible expenditure such as those arising out of commitment for centrally sponsored schemes, transfer to reserve funds and transfer to local bodies *etc.*

A low value of Debt to GSDP ratio indicates that the State's economy is vibrant to pay debt without incurring further debt and a high Debt to GSDP ratio signifies that the State's burden is substantial compared to its economic output and indicates financial vulnerability and reduced fiscal flexibility. The Debt to GSDP ratio of the State had been showing an increasing trend from 2020-21 to 2023-24. During the current year, it increased 5.10 points over the previous year (39.48 *per cent*). This indicates financial vulnerability and reduced the fiscal flexibility.

The Domar gap remained negative only during 2020-21 which shows that public debt as *percentage* of GSDP would increase indefinitely, without converging into a stable level. During 2023-24, the Domar gap was positive which indicates the public debt as *percentage* of GSDP would converge to a stable level.

Going by the analysis and results discussed above, the finances of the State of Arunachal Pradesh is marked by increasing trend of liabilities, which pose risk to the target of debt stabilisation and debt sustainability.

Reconciliation of Cash balances

Cash Balances of the State Government increased significantly by ₹2,562.68 crore (58.96 *per cent*) from ₹4,346.15 crore in 2022-23 to ₹6,908.83 crore in 2023-24. There was a net difference of ₹9.45 crore (Credit) at the end of accounting year 2023-24 between the General Cash Balance as worked out by the Accountant General ₹104.07 crore (Credit) and that reported by the RBI ₹94.62 crore (Debit).

State Public Sector Enterprises Sectors

Accumulation of huge losses of these SPSEs had eroded public wealth, which is a cause of serious concern.

2.12 Recommendations

The State Government may take measures to keep the Fiscal Deficit-GSDP ratio under the ceiling prescribed in the Arunachal Pradesh FRBM Act through prudent financial management.

Adhere to the prescribed procedure for accounting of the NPS transactions scrupulously. It should ensure that Government contribution relating to NPS is fully matched with that of the employees' contribution and that the entire amount is transferred to NSDL in a timely manner to avoid future liability on the State exchequer as well as to provide an assurance to the employees about the returns on their investment.

Maintain an accurate database with regard to the capital invested in projects which are at various stages of completion for several years and review its commitment to these and liabilities arising out of inordinate delays in their completion.

Identify potential wasteful expenditure and adopt economic measures across departments on the increasing trends of share of Committed Expenditure to the Revenue Expenditure.

Plan in advance for reducing other Committed expenditure and enhancing the revenue collection capacity to meet this obligation so as to mobilise debt resources adequately for incurring Capital expenditure for the creation of assets.

The State Government needs to review the working of the loss making SPSEs, whose paid-up capital is completely eroded, to either improve their profitability or close their operations.

